

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

City of Grosse Pointe Woods, Michigan

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

Prepared by the Office of the City's Finance Department

City of Grosse Pointe Woods, Michigan

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City of Grosse Pointe Woods, Michigan

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November 8, 2007

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

The Comprehensive Annual Financial Report (CAFR) of the City of Grosse Pointe Woods, Michigan for the fiscal year ended June 30, 2007 is submitted herewith, in accordance with provisions of Section 8.7 (Charter) of the City of Grosse Pointe Woods and the rules and regulations as put forward by the State of Michigan Department of Treasury. This report was prepared by and is the responsibility of the City's Finance Department. This document represents the official report of the City's financial operations to its residents, elected officials, employees, investment firms, banks, rating and regulatory agencies, and other interested parties. The data as presented in the report is accurate in all material respects, is shown in a manner designed to clearly and fairly set forth the financial activity of all the various funds established and utilized by the City, and all disclosures have been included to enable the reader to gain the maximum understanding of the City's financial operations. The independent auditing firm of Plante & Moran, PLLC performed the annual audit of the City of Grosse Pointe Woods' financial statements as required by the Michigan Department of Treasury and has issued its unqualified opinion here within.

Format

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. This narrative details the financial staff's letter of transmittal and introduces the reader to the City's financial background, the legal requirements expected, and details of financial/economic events that occurred during the year and the impact that they had on the financial statements. It is important to note that this letter complements the management's discussion and analysis (MD&A), which is found in the financial section. The introductory section also includes the municipality's organizational chart and a list of principal officials. The financial section includes the MD&A of the basic financial statements and the combining and individual fund statements, schedules, and accompanying footnotes to the financial statements, and most importantly, the auditor's opinion on the financial statements and supporting documentation. The statistical section, which is unaudited, includes selected financial and demographic information, where practical, presented on a multiyear basis. Also included in the statistical section is selected information required by the United States Securities and Exchange Commission depicting necessary disclosures in regard to the 2004 Park Refunding Bonds, 2003 Water and Sewer Revenue Bonds, and the 1993 Water and Sewer Refunding Bonds.

This document consists of management's representations concerning the finances of the City of Grosse Pointe Woods. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these presentations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To ensure that the City's system of internal controls is providing the security that is needed, the City's auditors are routinely consulted before any changes are made to the system and are requested to advise management of any improvements that would benefit operations. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Reporting Entity

This report includes all funds for which the City's elected officials have operational and financial authority. This authority implies that the elected and administrative officials are legally responsible for establishing and implementing the fiscal policies and overseeing the financial management of the City. Where required, actual results of individual government funds are shown with the original/amended budgetary appropriations. This required disclosure allows the reader to compare the effectiveness of the administration to stay within the spending guidelines (budget) established by the City Council during the budget process and to disclose other variations that may occur during the course of the fiscal year.

Legal Requirement

This report has been prepared pursuant to and in compliance with Michigan Department of Treasury regulations, which, in part, require that an annual independent audit of the City's financial records of accounts and transactions be performed. The opinion by the City's independent auditor, Plante & Moran, PLLC, dated November 8, 2007, on the basic financial statements and individual fund statements and schedules is included in the financial section of this report. A separately issued single audit report previously completed for the Federal Grant Fund is no longer required under the Federal Single Audit Act. Total federal grant expenditures of \$20,564 were less than \$500,000, which is the minimum expenditure limit needed to be subject to the regulations of the Single Audit Act. Due to the minimum amount of monies received by the grant program, the City is designated as a sub-grantee and coordinates its program through the Wayne County Block Grant Program.

Consistent with previous years, the intent and responsibility of administration is to effectively adhere to the fiscal policies and initiatives established by the City Council while remaining cost-efficient and responsive to the needs of the residents. Many of the financial policies and procedures established by the City Council are detailed in the City's annual budget. In accordance with the City Charter, by April 1, the city administrator will have presented his budgetary estimates of revenues and expenditures of all the City's funds (excluding Trust and Agency Funds and selected Special Revenue Funds) to the mayor and City Council. These estimates are then forwarded to the City's finance committee, which performs a thorough review of the operational, financial, and capital components of the budget. Upon completing this budget review along with recommendations, the budget is presented back to the mayor and City Council for additional review and comments. The proposed budget document is formally approved by the mayor and City Council no later than the third Monday in May. Throughout the course of the fiscal year, the finance committee may review any significant changes to the original budget document as recommended by the city administrator. Per the City Charter, the mayor and City Council must formally approve any proposed adjustments to the budget. This process allows the City to remain flexible to changes in the revenue and expenditure patterns that occur throughout the year as well as keeping the elected officials updated on the financial condition of the City. Following the passage of the budget, a summary of the completed document is made available to all residents, published in the local newspaper and annual City calendar.

The City's long-term financial stability as shown by the positive fund balance(s) in its major funds is the result of a strong and continuous commitment to fundamental principles of fiscal integrity accomplished by the following: (1) periodic reviews of budgetary and financial controls/policies by administration as well as the City's finance committee members; (2) long-term financial and capital planning with benchmarks for optimal fund balance levels; (3) continued excellence in financial reporting; (4) adherence to the annual financing of its capital projects program; and (5) ongoing examination of the City's tax base, both residential and commercial, to ensure a continual focus on future projects and developments which strengthen and enhance the tax base. The City's ability to maintain a manageable debt burden has allowed the necessary financial resources to continue to provide a full complement of activities and services to citizens of the community.

The City's financial staff undertakes an annual review of its operating, technical, and reporting systems. Whenever possible, progressive steps are continually taken to strengthen the City's set of internal controls to ensure that its assets are properly accounted for. Presently all of the principal functions of the city comptroller's office are automated with members of the staff cross-trained to operate the various operating systems of the department.

In developing and/or changing the accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding:

- The safeguarding of assets against loss from unauthorized use or disposition
- The reliability of financial records for preparing financial statements and maintaining accountability for assets and liabilities

The concept of reasonable assurance recognizes that the cost of implementing a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. As demonstrated by the statements and schedules included in the financial section of this report, as well as the information provided with the management's and discussion section, the City continues to meet responsibilities for sound financial management.

Concurrent with the budget process, the City also prepares an annual infrastructure improvement program, which details all major expenditures (in excess of \$10,000) for all of the City's buildings and equipment and infrastructure needs. This comprehensive document allows for a detailed evaluation (by the construction committee) of current capital project priorities as well as for the continuous review of future objectives. Since implementing the program, the City has expended in excess of \$27 million on infrastructure improvements without having to increase millage rates or raise user fees to specifically finance these projects. During the 2004-2005 fiscal year, the City finished the installation of the \$5.3 million water line improvement financed by the issuance of the 2003 revenue bonds. During 2005-2006, the City completely rebuilt Vernier Road from I-94 to Mack Avenue in cooperation with Harper Woods. During 2006-2007, the City received a combination of grant monies to resurface Mack North of Vernier Road.

Economic Condition (Property Tax Base)

The financial statements, as presented in this report, demonstrate the ability of the city administration to effectively stay within the fiscal guidelines and policies as adopted by the City Council. One measure of the city administration's effectiveness to deliver public services, while remaining cost-effective and responsive to current economic conditions, is to examine the relationship of taxable values to the adopted millage rates. The following table shows that over the past five years the total actual tax burden to the residents has increased on a per annum average of 3.3 percent. This is a combination of both the assessment and millage increases. The taxable value for fiscal year 2006-2007 showed a 3.3 percent increase from the previous year. Aside from the annual increase in the cost of living factor, other reasons for the rise in taxable value were due to the construction and remodeling projects that occurred during the year on both commercial and residential properties. However, with the economy in the region being affected by the downturn in the automobile industry, the number of permits and value of new construction have decreased materially from the past three years.

For several years, the most challenging issue facing all communities in the state of Michigan is the discrepancy that is arising between the actual value of houses, state equalized value (S.E.V.) versus the taxable value on which millage is applied. Since the passage of Proposal A, the 2006-2007 fiscal year marks the tenth consecutive year the actual market values on property (state equalized value) were reduced for taxation purposes due to the limitations placed on property values by Proposal A. The voters of the state of Michigan, in an effort to curb rising property taxes, approved Proposal A on March 15, 1994. The proposal capped market value increases to the lesser of (1) change in the Consumer Price Index (C.P.I.) or (2) 5 percent if the C.P.I. increases over that percent. During the past year, the fair market values of property within the City, excluding increases in new construction or home improvements, rose in excess of the C.P.I., making it necessary for the City to tighten its budget position since the C.P.I. increased for the year by a nominal 3.3 percent.

Aside from reducing the market value on property that a community may levy a millage upon, many communities are also facing the problem at being near or at their maximum charter millage amount. Due to another State Act (Headlee 1979), which in general impacts the available amount of millage a city may have available, many communities are now in difficult financial positions due to compounding effects of both Proposal A and are no longer having the ability to increase millage to original charter limits without first going to a vote of the residents. The City, realizing the negative impact that the Headlee Act may place on the budget status of a community, has been pro-active in structuring a budget to conserve remaining tax mills.

Even with the state's economy experiencing an economic decline, the City has continued to benefit from the increase in both taxable and state equalized values. The decision to maintain the City's millage rate, even with the nominal increase in taxable value, demonstrated the City's ability to sustain an operating budget similar to previous years despite a minimal increase in tax revenues. Since the passage of Proposal A, in 1994, taxable valuations in the City increased \$54,276,101 in comparison to the true market value increase of \$4,298,740. This spread between market and taxable values helps demonstrate the negative effects that Proposal A has had on property tax revenues and the ability of the City to fund for necessary operations. During fiscal year 2006-2007, the 6.7 percent increase in taxable value assessments was able to generate sufficient revenues without having to increase the millage rate. Increases in other revenue areas and the ability to utilize a portion of the prior year's fund balance were used by the City to balance the General Fund budget, which was impacted by double digit increases for building improvements, pension obligations, and a reduction in personal properties tax revenues due to an agreement reached with the City's utility suppliers over the taxable value of their property.

Fiscal Years Ended June 30	Taxable Value	Millage Rate
2007	\$ 867,467,911	12.9897
2006	813,191,810	12.9897
2005	778,924,550	12.9897
2004	747,319,492	13.0300
2003	723,570,579	13.0300
	Fiscal Year 2005-2006	Fiscal Year 2006-2007
General Fund:		
Total revenue and transfers in	\$ 13,410,824	\$ 12,887,132
Total expenditures and transfers out	<u>13,625,551</u>	<u>14,198,984</u>
Excess of expenditures over revenue	(214,727)	(1,311,852)
Fund balance:		
Beginning of year	<u>4,889,093</u>	<u>4,674,366</u>
End of year	<u>\$ 4,674,366</u>	<u>\$ 3,362,514</u>

Property tax revenues for fiscal year 2006-2007 represented approximately 73 percent of the total amount of General Fund operating revenues of \$12,714,132, which was a 2.8 percent decrease when compared with previous year's percent of 70.2 percent. With the taxable value of the City's tax base being 91.2 percent residential, mayor/council and administration, in order to reduce the impact taxes have on the residents, must continue to (1) find alternative revenue sources, (2) re-examine the services currently being offered to the residents, (3) prioritize services and programs currently being rendered to the residents, (4) expand the scope of self-insuring the City in several areas (workers' compensation, property and liability coverages, and health insurance), (5) continue to explore opportunities to combine joint public services/capital purchases with the neighboring communities, and (6) re-examine the promise of the City's postretirement healthcare package.

In accordance with the City Charter, the City may levy up to 20 mills. As discussed earlier, the Headlee Act, which amended the State Constitution in regard to property tax relief, has forced the City to roll back its 20 mills to 14.0492 mills. As of June 30, 2007, the City has 1.0331 of unused millage to finance future operations and infrastructure improvements. Recent tax legislation, which has been approved in both the Michigan House of Representatives and Senate, could further impact the City's millage levy. This legislation, in part, would result in immediate or phased-in tax exemption of all or a portion of the personal property located within the City. Also, with economic concerns regarding the State's financial position, the City is once again facing a possible reduction in its state-shared revenues. With the state's economy still facing severe financial problems, the City will have to further tighten its General Fund budget to stay within its revenue base.

The administration is deeply concerned with the impact that the depressed housing market will have on real/personal property assessments within the community and the compounding effect it will have on tax revenues to finance City operations. With the voter's approval of Proposal A, market/inflationary assessment increases have been capped and property taxes held in check on residential properties. The formula used to compute state sales tax monies distributed back to the municipalities was amended by the legislature in 1998. The law now categorizes sales tax distributions as either statutory or constitutional distributions. The constitutional portion of the distribution can only be amended by a general vote of the people. However, the statutory portion can be amended by the State's legislature. With the state's economy still being severely impacted by the downturn in the automobile manufacturing sector, local governments will have to continue to lobby their state representatives that any further reduction in the statutory distribution of revenue-sharing dollars will have a drastic impact on their operating budgets.

Administrative Summary/Major Initiatives

During the preparation of the 2006-2007 annual budget, the mayor and City Council emphasized several areas on which the administrative officials to concentrate their efforts, as shown below:

1. Initial implementation of a restructured healthcare plan for nonunion employees; unionized employees are currently in negotiations
2. Cost analysis on items to be considered on 2008 Recreation Park Bond

3. Review of the Capital Improvement Program
4. Development of R.F.P. for financial software
5. Increase usage of information technology

After many years of providing a standard healthcare plan for all full-time and retired employees' the City, in response to G.A.S.B. mandates in accounting for these benefits, is in the process of reviewing and restructuring these healthcare plans. Negotiations continue to be underway with all four labor unions. An important concern for the City is to have an attractive health plan while being cognizant of future liability impact and the depiction on the June 30, 2009 financial statements.

The City is in the process of collecting data in anticipation of requesting voter approval to renew a Park and Recreation General Obligation Bond, which expires in fiscal year 2009-2010. The City, with voter approval, has historically been able to renew this bond issue as well as maintain and improve upon City park and recreation infrastructure and activities. In order to assess the creation needs of the community, a committee will develop a list of potential projects, ultimately anticipating the request or voter approval for a replacement bond within the next couple of years. Bond anticipation notes were issued in fiscal year 2005-2006 and reconstruction of the municipal pool, the largest municipal pool in the Midwest, was completed during fiscal year 2006-2007.

Several years ago, the administration developed a comprehensive listing of all infrastructure within the City. In doing so, the City was able to determine the financial resources required to maintain this infrastructure on an annual basis. To date, the elected officials have continued to dedicate several million dollars annually to maintain the City's infrastructure, without the necessity of having to issue additional debt or increase millage. This undertaking is most impressive when considering the continual decrease in state-shared revenues and the fiscal impact that Proposition A and the Headlee Act have had on property taxes. The City, in consortium with neighboring communities, is also studying the feasibility of purchasing water from Grosse Pointe Farms instead of from the City of Detroit Water and Sewage Department.

In working to keep current with continuing technology changes now occurring, the City has made a strong commitment to invest in upgrading information technology. Not only are all departmental employees of the City now utilizing technology to perform their everyday activities, but they are also required to participate in additional training to become more creative and productive in their use of technology. Over the past couple of years, the City has concentrated on expanding the usage of its Geographic Information System (G.I.S.), which allows employees and citizens alike the ability to obtain a wide variety of data on a parcel of property located anywhere in the City. In addition, the City comptroller's department has converted to an on-line banking system along with an automated check deposit capability. These additions have streamlined banking transactions and improved cash flow.

The City's current financial software has been used for nearly 30 years. In order for the City to take advantage of new technology, in fiscal year 2007-2008, the City performed a detailed analysis of needs and developed a comprehensive software proposal to procure a system that will support all of the City's users. Funds were approved for this conversion in fiscal year 2007-2008. The new software vendor has been selected and the conversion is well underway.

The City's full-time labor force as of June 30, 2007 included 102 full-time employees, 20 permanent part-time, and approximately 150 seasonal employees. The City had multiyear contract agreements with three of the four labor associations through the end of fiscal year 2006-2007.

As always, the City's highest priority is to continue to provide residents the highest level of public services while operating within approved budget parameters. As expected, the operational costs of many of these services and programs have increased; however, the City has, whenever possible, managed to keep such increases to a minimum. The City once again realized a cost reduction in its workmen's compensation insurance coverage, general liability, and property insurance. In cooperation with elected officials, the City has been able to maintain an infrastructure improvement plan. The City, in consortium with other surrounding communities, has also been working to minimize the effect of rising water and sewer rates. However, given the impact of increasing treatment cost, the City had to once again increase rates, which on average amounted to a 3 percent increase.

Change in Presentation

In May 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 44, *Economic Condition Reporting the Statistical Section*. The statistical section is a required part of a CAFR and presents detailed information, typically in 10-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The provisions of GASB Statement 44 are effective for fiscal years beginning in 2005-2006.

Future Outlook

The City continues to retain its status as both a well respected and one of the most desired areas to live in southeast Michigan. Elected officials, administration, and the members of the various committees and commission are always looking at innovative and productive ways to maintain the viability of the commercial district, repair and update infrastructure, retain residential home values, and still attract younger families to reside in the community. The challenge to the City is to continue to provide a multitude of public services, while complying with increased federal and state regulations, financing an operating budget with both property tax dollar restrictions (Proposal A) and a state economy that has yet to recover from prior years' recession. Over the past several years, the City has placed an emphasis on the planning, re-zoning, and re-assessment of both its residential/commercial property given the necessity to provide an increase in tax base. To assist the administration in this endeavor, the City has utilized the services of a professional planner as well as providing its assessor G.I.S. capabilities. Interaction and greater long-term planning with the various proprietors in the commercial district will have to increase if the existing establishments are to retain a viable resource and vacant properties are to remain attractive to potential entrepreneurs. For many years the City has worked with other surrounding communities to provide emergency ambulance services, rubbish removal, health insurance, recreational activities, and police communication/dispatch. But as the availability of the property tax dollar erodes, the City will need to continue attempts to increase its interaction with neighboring communities to seek alternative solutions to such issues as infrastructure replacement, equipment purchases, labor agreements, and the staffing of day-to-day operations.

Sincerely,



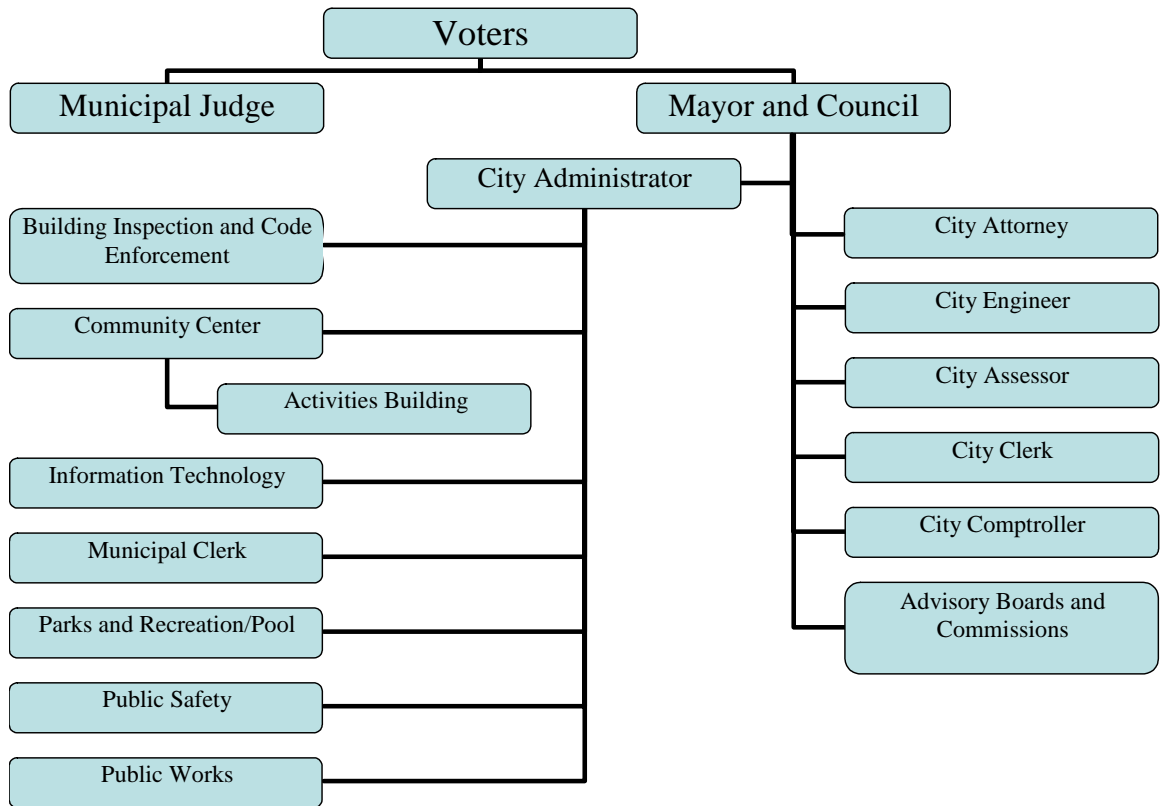
Mark Wollenweber
City Administrator



Linda Kunath Paladino
Accounting Specialist

City of Grosse Pointe Woods, Michigan

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grosse Pointe Woods
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Grosse Pointe Woods, Michigan

List of Principal Officers Year Ended June 30, 2007

Elected Officials

Mayor	Robert E. Novitke
Council Member	Allen G. Dickinson
Council Member	Victoria A. Granger
Council Member	Darryl A. Spicher
Council Member	Dona DeSantis Reynolds
Council Member	Lisa Pinkos Howle
Council Member	Peter N. Waldmeir

Administrator's Office

Administrator	Mark Wollenweber
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Clerk's Office

Clerk	Lisa K. Hathaway
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City Comptroller/Treasurer's Office

Treasurer	Vacant
-----------	--------

City Assessor

City Assessor	Kathleen Paul
---------------	---------------

City Attorney

City Attorney	Don R. Berschback
City Attorney	Chip Berschback

Municipal Judge

Municipal Judge	Lynne A. Pierce
-----------------	-----------------

City of Grosse Pointe Woods, Michigan

Fund Organization Chart Year Ended June 30, 2007

Fund Name	Fund Number
<u>GOVERNMENTAL FUNDS</u>	
General Fund	101
Special Revenue Funds	
Major Street Fund	202
Local Street Fund	203
Ambulance Fund	210
Act 302 Training Fund	211
Solid Waste Disposal	226
Grants Fund	245
911 Emergency Service	261
Drug Enforcement	265
Parkway Beautification Fund	705
Cable Franchise Fund	706
Debt Service Funds	
Grosse-Gratiot Drain Fund	365
2005 Park Refunding Bond	303
Capital Projects Funds	
Municipal Improvement Fund	401
2006 Park Bond	405
<u>PROPRIETARY FUNDS</u>	
Enterprise Funds	
Water and Sewer Utility Fund	592
Parking Utility Fund	585
Boat Dock Rental Fund	594
Commodity Sales Fund	598
Internal Service Funds	
Motor Vehicle Fund	640
Workers' Compensation Fund	632
Management Information System	650
<u>FIDUCIARY FUNDS</u>	
Trust and Agency Funds	
Pension Fund	731
Supplementary Annuity Fund	732
Retiree Health Care	708
Wayne County Tax Fund	703
Cash Bond Escrow Fund	702



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the City Council
City of Grosse Pointe Woods
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grosse Pointe Woods, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



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To the City Council
City of Grosse Pointe Woods
Wayne County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Woods, Michigan's basic financial statements. The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical and continuing disclosure sections, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules and other supplemental information have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and pension systems schedule of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical and continuing disclosure sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran, PLLC

November 8, 2007

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2007:

- Total FY 2006-2007 General Fund revenues were approximately \$450,000 under FY 2005-2006 revenues. Decreased revenue was due primarily to the reclassification of EMS operating levy out of the General Fund, reduced state-shared revenues, court fines/costs, and licenses/permits collections. Property taxes continue to be the largest and most secure source of revenue.
- In fiscal year 2006-2007, the City began recording the monies received from the EMS levy revenues of approximately \$300,000 directly into the Ambulance Fund instead of the General Fund, where they were recorded in previous years.
- State-shared revenue, despite dramatic cuts over the past six years, remains our second largest revenue source. During the City's 2007 fiscal year, state-shared revenue decreased \$106,000 (6.3 percent) when compared to 2006.
- Licenses/permits revenue decreased \$61,000 (8 percent) from the previous year.
- Revenues from District Court fees and fines decreased \$40,000 (7 percent) from the previous year. This decline is primarily due to a decrease in traffic tickets issued. By fiscal year end, public safety was at full staffing levels.
- General Fund expenditures for FY 2006-2007 were up approximately \$746,000 from the previous year. The majority of the increase, about \$420,000, represents an increased transfer to the retiree healthcare account. Approximately \$223,000 was due to increased transfers to the Motor Pool Internal Service Fund for the purchase of public works and public safety vehicles.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in millions of dollars):

Summary Condensed Statement of Net Assets:

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Assets						
Current assets	\$ 12.1	\$ 10.3	\$ 1.8	\$ 2.2	\$ 13.9	\$ 12.5
Noncurrent assets	26.2	29.2	23.1	22.9	49.3	52.1
Total assets	38.3	39.5	24.9	25.1	63.2	64.6
Liabilities						
Current liabilities	3.3	3.0	0.6	0.4	3.9	3.4
Long-term liabilities	9.1	9.0	5.3	5.1	14.4	14.1
Total liabilities	12.4	12.0	5.9	5.5	18.3	17.5
Net Assets						
Invested in capital assets -						
Net of related debt	16.5	20.6	17.6	17.6	34.1	38.2
Restricted	4.6	2.0	-	-	4.6	2.0
Unrestricted	4.8	4.9	1.4	2.0	6.2	6.9
Total net assets	<u>\$ 25.9</u>	<u>\$ 27.5</u>	<u>\$ 19.0</u>	<u>\$ 19.6</u>	<u>\$ 44.9</u>	<u>\$ 47.1</u>

The City's combined net assets increased \$2.2 million from the prior year. Increased assets within the governmental activities are due primarily to increased infrastructure improvements.

Total liabilities in the governmental activities decreased about \$400,000 in FY 2006-2007. The City continues to reduce debt associated with the Milk River Drain debt and Water and Sewer System rehabilitation projects.

Overall, City debt remains low. The City utilizes just 3.14 percent of the allowable legal debt margin subject to limit.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the City's major revenue and expenditures as a whole, for both the governmental and business-type activities (in millions of dollars). The bottom of the table shows the changes in net assets during the current year in comparison to the prior year.

Total revenue for governmental activities increased \$100,000 (1 percent) from fiscal year 2005-2006. Total expenditures increased \$1.3 million (7.7 percent). The majority of the increased expenditures, \$1.1 million, pertains to the public safety activities of an increased transfer to the Internal Service Fund, Motor Vehicles, for the purchase of vehicles and increased overtime costs.

In the business-type activities, the revenues were up \$300,000 and expenditures were down \$100,000. A total of \$210,000 of the revenue increase was due to a one-time bond escrow refunding in current year.

Summary Condensed Statement of Changes in Net Assets (presented in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenue						
Program revenue:						
Charges for services	\$ 2.6	\$ 1.4	\$ 5.0	\$ 5.1	\$ 7.6	\$ 6.5
Operating grants and contributions	0.0	1.0	-	-	0.0	1.0
Capital grants and contributions	-	-	-	0.1	-	0.1
General revenue:						
Property taxes	14.1	15.2	-	-	14.1	15.2
State-shared revenue	2.6	1.7	-	-	2.6	1.7
Unrestricted investment earnings	0.2	0.2	-	0.1	0.2	0.3
Cable franchise fees	-	0.2	-	-	-	0.2
Miscellaneous	0.1	-	-	-	0.1	-
Total revenue	19.6	19.7	5.0	5.3	24.6	25.0
Program Expenses						
General government	2.5	2.5	-	-	2.5	2.5
Public safety	5.4	6.5	-	-	5.4	6.5
Public works	4.5	4.1	-	-	4.5	4.1
Solid waste	1.4	1.4	-	-	1.4	1.4
Recreation and culture	2.0	2.4	-	-	2.0	2.4
Municipal improvements	0.0	0.2	-	-	0.0	0.2
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Water and sewer	-	-	4.8	5.0	4.8	5.0
Parking	-	-	0.3	0.3	0.3	0.3
Boat dock	-	-	0.3	0.1	0.3	0.1
Commodity sales	-	-	0.2	0.1	0.2	0.1
Transfers	0.8	0.8	(0.8)	(0.8)	-	-
Total program expenses	16.8	18.1	4.8	4.7	21.6	22.8
Change in Net Assets	\$ 2.8	\$ 1.6	\$ 0.2	\$ 0.6	\$ 3.0	\$ 2.2

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's governmental revenues totaled approximately \$19.6 million, with the greatest revenue source being property taxes. Property taxes make up approximately 77 percent of total governmental revenue. That percentage is up from approximately 72 percent of total governmental revenue in fiscal year 2005-2006. Property taxes continue to be a secure and growing revenue source for the City. This secure source offsets the losses experienced in both state-shared revenue and district court fees and fines. Investment income in fiscal year 2006-2007 remained the same.

Although the City relies heavily on property tax revenues, the City still maintains a relatively low millage rate compared to similar-sized communities. The property tax rate assessed is about 1 mill below the maximum amount permitted under the Headlee Act.

Total governmental expenses for the City were approximately \$18.1 million. This is up by \$1.3 million from fiscal year 2005-2006. As in most municipalities, labor cost makes up the greatest portion of the budget. In fiscal year 2006-2007, the City had one unsettled labor agreement. All other union agreements expire in July 2007.

Business-type Activities

The City's business-type activities consist of the funds for water and sewer, parking utility, and boat dock. Aside from maintaining a well-funded infrastructure program, the City, in consortium with its surrounding cities, has been able to negotiate with the members of the City of Detroit's Water and Sewerage System a rate structure that will keep rate increases below what it has paid in previous years.

Water and Sewer Utility System revenues are primarily from fees paid by customers based on use. User fees make up approximately 96 percent of all business-type revenues.

The business-type activities expenditures totaled approximately \$4.7 million in fiscal year 2006-2007. A total of \$2.86 million is collected from customers and paid to the City of Detroit for water and sewer treatment. As in the governmental activities, a large portion of the expenditures is labor related. In fiscal year 2006-2007, the Water and Sewer Fund had eight full-time employees.

The City's Funds

An analysis of the City's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City created funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for fiscal year 2006-2007 include the General Fund, the Local Streets Fund, the Cable Franchise Fund, and the Grosse-Gratiot Drain Fund. The City's major business-type fund is the Water and Sewer Fund.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

General Fund

The General Fund pays for most of the City's governmental services. The two largest services funded by the General Fund are public safety, combined police and fire services, and public works. The General Fund transferred approximately \$1.77 million to the Local Streets Fund.

Other major activities in the General Fund include recreation and culture, solid waste, and all general government administrative and services operations. Some of these activities rely on fees for services to help offset costs and some do not generate any significant service-related revenue. Many of these activities rely heavily on property taxes and state-shared revenue to subsidize their operations.

In fiscal year 2006-2007, the General Fund's fund balance decreased by approximately \$1.3 million. This decline was the result of increased funds contribution to the Local Streets Fund of \$650,000, additional required healthcare reserve contributions of \$400,000, and recording of a transfer due to the Solid Waste Fund of \$300,000.

The City's General Fund's year-end fund balance is approximately \$3,362,500. This amount represents approximately 24 percent of fiscal year 2006-2007 annual expenditures and net transfers to other funds. This level of fund balance is above the recommended level of between 10 percent and 15 percent of annual expenditures.

Major Street Fund

The Major Street Fund accounts for the maintenance and replacement of all major streets within the City. Financing is provided by distribution of gas tax proceeds. Major revenues include \$631,000 from the City's General Fund and \$700,000 in gas and weight tax revenue. Over the fiscal year, the Major Street Fund's revenues exceeded expenditures by approximately \$180,000.

Local Street Fund

The Local Street Fund accounts for the maintenance and replacement of all local streets within the City. Financing is provided by distribution of gas tax proceeds. Major revenues include \$1,777,000 from the City's General Fund and approximately \$289,000 in gas and weight tax revenue. The department receives a small amount of its revenue from fees, other state funding, special assessment, and interest on investments.

Over fiscal year 2006-2007, the Local Street Fund fund balance decreased by approximately \$9,600. This decrease is primarily due to increased maintenance cost.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Cable Franchise Fund

The Cable Franchise Fund was established to invest the proceeds from the sale of the City's interest in a cable company's earnings used for capital improvements. In fiscal year 2006-2007, the fund received approximately \$575,000 from the Local Streets Fund and General Fund.

The Cable Franchise Fund's fund balance increased by approximately \$390,000, which is primarily attributable to the transfer of \$500,000 from the Local Streets Fund.

Grosse-Gratiot Drain Fund

The Grosse-Gratiot Drain Fund is used to accumulate resources for payment of the Grosse Gratiot Drain improvements financed by issuance of debt. The fund derives revenue from property taxes of approximately \$3,560,000 in fiscal year 2006-2007. Expenditures primarily related to drain assessments of approximately \$1,418,000 and debt service of approximately \$1,219,000. The Grosse-Gratiot Drain Fund transferred \$1,493,000 to other funds, primarily for use with infrastructure improvements.

This Grosse-Gratiot Drain Fund's fund balance decreased approximately \$598,500, which was mainly due to the transfer to the Major Streets Fund.

Water and Sewer Fund

The Water and Sewer Fund continues to maintain a healthy amount of working capital. Because revenues are derived from user fees and fees are adjusted periodically to cover expenses, the fund is relatively secure. Unlike the governmental activities of the City, the Water and Sewer Fund does not rely on tax dollars and state aid for its financial well-being.

Water and sewer rates have remained consistent, with only the cost of fee increases imposed by the City of Detroit Water and Sewerage System being passed on to customers.

Increasing labor costs, higher standards being placed on the system by both the federal and state governments, and the need to repair and maintain an aging system require the City to continually monitor revenues and expenditures to ensure revenues remain at an adequate level to support the required expenditures of the systems.

General Fund Budgetary Highlights

The City's General Fund began fiscal year 2006-2007 with an aggressive construction schedule along with consistent staffing levels. With one open labor contract and threats of further state-shared revenue cuts, the City's original fiscal year 2006-2007 budget projected a \$500,000 decrease in fund balance. The planned reduction was primarily due to cost of infrastructure improvements along one-third of the City's main thoroughfare, Mack Avenue.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

General Fund actual revenues for fiscal year 2006-2007 were \$412,868 below projected figures. The projected revenue from traffic violations and court fees was \$115,900 below projections. The primary reason for the dramatic decline was the time lapse between retirements and hirings, resulting in a reduced number of patrol officers and declining number of traffic tickets issued.

Intergovernmental revenues also decreased \$113,787, which was primarily state-shared revenues. Despite assurances from the State of Michigan that there would be no further cuts to state-shared revenue, the fiscal year 2006-2007 payments were approximately \$43,900 below the fiscal year 2005-2006 amount.

Efforts to hold the line on expenses during fiscal year 2006-2007 were relatively successful at the program level, but healthcare reserve requirements established by the actuary increased by approximately \$390,000. In total, fiscal year 2006-2007 expenditures were \$398,984 over budget.

Capital Asset and Debt Administration

The City continued to invest in capital assets during fiscal year 2006-2007, as well as reduce its debt obligations. Overall, the City debt remains low. The City utilizes just 3.14 percent of the allowable legal debt margin subject to limit. Detailed information on the City's debt can be found in the statistical section of this report, in the debt capacity and direct and overlapping debt schedules.

Economic Factors

There are several economic factors that challenge the City. These items include revenue sharing, health insurance, pension cost, and state laws limiting the growth in property taxes. The 1978 Headlee Amendment and Proposal A, which passed in 1993, both limit property tax increases to the rate of inflation. Headlee requires a rollback in the overall millage rate if total property values grow at a rate higher than inflation. Proposal A limits increases in individual property tax assessments to the rate of inflation.

The City has experienced modest new growth over the past decade. This has resulted in some new taxable property values. Growth in the City has slowed recently as the availability of vacant land has diminished. Most future growth will be in the form of redevelopment. Because property taxes are the key source of City revenue, efforts to promote redevelopment are crucial.

The City must continue to provide a safe environment with high quality of life services in order to maintain a healthy tax base. The dynamics of Proposal A allow taxable property values to increase back to 50 percent of assessed value once a home is sold. An attractive housing market and new construction growth will help the City to overcome some of the restrictions of Proposal A and the 1978 Headlee Amendment.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The City will soon be forced to recognize the cost of retiree health care and other non-pension postretirement benefits over the working life of the employee, rather than at the time the health care premiums are paid. A new Governmental Accounting Standards Board requirement (GASB 45) will require the City to calculate and report an actuarial determined annual liability for providing postretirement benefits other than pension in the future. A strategy will need to be developed to properly recognize and fund the financial burden of commitments made to current and future retirees.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City Administrator's office at (313) 343-2450.

City of Grosse Pointe Woods, Michigan

Statement of Net Assets June 30, 2007

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 8,998,921	\$ 541,896	\$ 9,540,817
Receivables:			
Taxes	523,640	-	523,640
Customers	77,490	1,127,370	1,204,860
Accrued interest	62,775	888	63,663
Due from other governmental units	657,374	-	657,374
Other	-	34,207	34,207
Internal balances (Note 5)	(41,000)	41,000	-
Restricted cash (Note 1)	113,114	453,789	566,903
Capital assets (Note 4):			
Nondepreciable capital assets	1,554,775	-	1,554,775
Depreciable capital assets - Net	27,531,933	22,940,281	50,472,214
Total assets	39,479,022	25,139,431	64,618,453
Liabilities			
Accounts payable	815,441	191,704	1,007,145
Accrued and other liabilities	409,189	28,971	438,160
Noncurrent liabilities (Note 6):			
Due within one year	1,734,343	250,000	1,984,343
Due in more than one year	9,027,010	5,050,000	14,077,010
Total liabilities	11,985,983	5,520,675	17,506,658
Net Assets			
Invested in capital assets -			
Net of related debt	19,660,463	17,640,281	37,300,744
Restricted for:			
Streets and highways	340,743	-	340,743
Police, fire, and ambulance operations	384,669	-	384,669
Solid waste disposal	189,776	-	189,776
Grants	1,515	-	1,515
Drains	969,635	-	969,635
Debt Service	-	453,789	453,789
Capital projects	49,185	-	49,185
Unrestricted	5,897,053	1,524,686	7,421,739
Total net assets	<u>\$ 27,493,039</u>	<u>\$ 19,618,756</u>	<u>\$ 47,111,795</u>

City of Grosse Pointe Woods, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
Legislative	\$ 108,343	\$ -	\$ -	\$ -
Judicial	402,779	-	-	-
General government	2,087,310	433,030	21,484	-
Public safety	6,506,973	768,596	-	-
Public works	4,078,739	76,293	989,687	-
Solid waste	1,390,686	-	-	-
Recreation and culture	2,386,985	158,763	-	-
Municipal improvements	196,696	-	-	-
Interest on long-term debt	207,182	-	-	-
Total governmental activities	17,365,693	1,436,682	1,011,171	-
Business-type activities:				
Water/Sewer	5,096,980	4,696,657	-	125,373
Parking	325,058	266,067	-	-
Boat dock	144,289	164,601	-	-
Commodity sales	52,789	-	-	-
Total business-type activities	5,619,116	5,127,325	-	125,373
Total primary government	<u>\$ 22,984,809</u>	<u>\$ 6,564,007</u>	<u>\$ 1,011,171</u>	<u>\$ 125,373</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (108,343)	\$ -	\$ (108,343)
(402,779)	-	(402,779)
(1,632,796)	-	(1,632,796)
(5,738,377)	-	(5,738,377)
(3,012,759)	-	(3,012,759)
(1,390,686)	-	(1,390,686)
(2,228,222)	-	(2,228,222)
(196,696)	-	(196,696)
(207,182)	-	(207,182)
(14,917,840)	-	(14,917,840)
-	(274,950)	(274,950)
-	(58,991)	(58,991)
-	20,312	20,312
-	(52,789)	(52,789)
-	(366,418)	(366,418)
(14,917,840)	(366,418)	(15,284,258)
15,181,945	-	15,181,945
1,682,742	-	1,682,742
238,139	106,012	344,151
230,453	-	230,453
(810,000)	810,000	-
16,523,279	916,012	17,439,291
1,605,439	549,594	2,155,033
25,887,600	19,069,162	44,956,762
\$ 27,493,039	\$ 19,618,756	\$ 47,111,795

City of Grosse Pointe Woods, Michigan

Governmental Funds

Balance Sheet and Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets

June 30, 2007

	Major Special Revenue Funds				Major Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Cable Franchise Fund	Grosse-Gratiot Drain Fund		
Assets							
Cash and investments (Note 3)	\$ 3,300,939	\$ 943,982	\$ -	\$ 2,564,754	\$ 945,518	\$ 560,088	\$ 8,315,281
Restricted assets (Note 1)	-	-	-	-	-	113,114	113,114
Receivables:							
Taxes	310,785	-	-	-	159,117	51,579	521,481
Accrued interest	28,975	-	-	26,428	-	30	55,433
Due from other governmental units	507,552	106,186	43,636	-	-	-	657,374
Other	60,345	2,159	-	-	-	13,449	75,953
Due from other funds (Note 5)	150,000	-	650,000	50,000	-	410,371	1,260,371
Total assets	\$ 4,358,596	\$ 1,052,327	\$ 693,636	\$ 2,641,182	\$ 1,104,635	\$ 1,148,631	\$ 10,999,007
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 148,296	\$ 42,580	\$ 662,640	\$ -	\$ -	\$ 332,085	\$ 1,185,601
Accrued and other liabilities	331,415	50,000	-	-	-	-	381,415
Due to other funds (Note 5)	516,371	650,000	-	-	135,000	-	1,301,371
Total liabilities	996,082	742,580	662,640	-	135,000	332,085	2,868,387
Fund Balances							
Unreserved:							
Designated for subsequent year's expenditures - Reported in:							
General Fund	500,000	-	-	-	-	-	500,000
Special Revenue Funds	-	309,747	-	-	-	7,500	317,247
Capital Projects Funds	-	-	-	-	-	35,000	35,000
Unreserved - Reported in:							
General Fund	2,862,514	-	-	-	-	-	2,862,514
Special Revenue Funds	-	-	30,996	2,641,182	-	723,587	3,395,765
Debt Service Funds	-	-	-	-	969,635	426	970,061
Capital Projects Funds	-	-	-	-	-	50,033	50,033
Total fund balances	3,362,514	309,747	30,996	2,641,182	969,635	816,546	8,130,620
Total liabilities and fund balances	\$ 4,358,596	\$ 1,052,327	\$ 693,636	\$ 2,641,182	\$ 1,104,635	\$ 1,148,631	
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources and are not reported in the funds							27,634,354
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:							
Bonds payable							(9,475,430)
Compensated absences							(1,182,327)
Accrued interest is not recorded in the funds							(23,946)
Internal Service Funds are included as part of governmental activities							2,409,768
Net assets of governmental activities							\$ 27,493,039

City of Grosse Pointe Woods, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Cable Franchise Fund	Major Debt Service Fund - Grosse-Gratiot Drain Fund	Other Nonmajor Governmental Funds	
Revenue							
Property taxes	\$ 9,286,460	\$ -	\$ -	\$ -	\$ 3,559,797	\$ 1,880,844	\$ 14,727,101
State and local sources	1,576,213	700,767	288,920	-	-	-	2,565,900
Delinquent interest and collection fee income	350,413	-	-	-	-	-	350,413
Federal sources	-	-	-	-	-	20,564	20,564
Fines and forfeitures	574,100	-	-	-	-	-	574,100
Other revenues:							
Licenses and permits	666,958	-	-	-	-	-	666,958
Miscellaneous revenue	23,283	80,303	118,353	-	-	466,905	688,844
Investment income	236,705	-	-	-	1,400	573	238,678
Total revenue	12,714,132	781,070	407,273	-	3,561,197	2,368,886	19,832,558
Expenditures							
Current:							
General government	2,919,071	-	-	-	-	94,082	3,013,153
Public safety	5,031,887	-	-	-	-	10,878	5,042,765
Public works	861,530	-	45,000	-	-	-	906,530
Parks and recreation	1,780,996	-	-	-	-	1,155,500	2,936,496
Administration	-	346,701	369,948	-	-	177,699	894,348
Street maintenance	-	755,927	1,989,664	-	-	-	2,745,591
Winter maintenance	-	6,964	16,252	-	-	-	23,216
Ambulance activities	-	-	-	-	-	312,646	312,646
Drain assessment	-	-	-	-	1,418,006	-	1,418,006
Contractual services	-	-	-	-	-	20,564	20,564
Other	-	-	-	8,938	19,763	281,318	310,019
Solid waste	-	-	-	-	-	1,260,686	1,260,686
Municipal improvement	-	-	-	-	-	196,696	196,696
Charges from Internal Service Fund for use of equipment and supplies	615,000	10,000	-	-	10,000	180,000	815,000
Debt service:							
Principal retirement	-	-	-	-	1,028,497	430,000	1,458,497
Interest and paying agent fees	-	-	-	-	190,499	61,610	252,109
Total expenditures	11,208,484	1,119,592	2,420,864	8,938	2,666,765	4,181,679	21,606,322
Excess of Revenue Over (Under) Expenditures	1,505,648	(338,522)	(2,013,591)	(8,938)	894,432	(1,812,793)	(1,773,764)
Other Financing Sources (Uses)							
Proceeds from the issuance of long-term debt	-	-	-	-	-	1,325,000	1,325,000
Transfers in (Note 5)	173,000	1,172,000	2,504,000	575,000	-	667,500	5,091,500
Transfers out (Note 5)	(2,990,500)	(650,000)	(500,000)	(185,000)	(1,493,000)	(83,000)	(5,901,500)
Total other financing sources (uses)	(2,817,500)	522,000	2,004,000	390,000	(1,493,000)	1,909,500	515,000
Net Change in Fund Balances	(1,311,852)	183,478	(9,591)	381,062	(598,568)	96,707	(1,258,764)
Fund Balances - Beginning of year	4,674,366	126,269	40,587	2,260,120	1,568,203	719,839	9,389,384
Fund Balances - End of year	\$ 3,362,514	\$ 309,747	\$ 30,996	\$ 2,641,182	\$ 969,635	\$ 816,546	\$ 8,130,620

City of Grosse Pointe Woods, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (1,258,764)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are recorded as capital assets	3,685,452
Governmental funds allocate the cost of capital assets over their estimated useful lives as depreciation	(862,796)
Proceeds from the sale of capital assets are reported as revenue in the governmental funds; the statement of activities records a gain or loss, included in general government expense	(42,758)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,458,497
Bond proceeds are not reported as other financing sources on the statement of activities	(1,325,000)
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the fund	44,927
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(44,964)
Internal Service Funds are also included as governmental activities	<u>(49,155)</u>

Change in Net Assets of Governmental Activities \$ 1,605,439

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Net Assets June 30, 2007

	Major Enterprise Fund			Governmental Activities
	Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 423,071	\$ 121,313	\$ 544,384	\$ 1,220,930
Receivables:				
Customers	1,127,370	-	1,127,370	-
Accrued interest receivable	888	-	888	11,049
Due from other funds (Note 5)	-	56,000	56,000	-
Other	-	34,207	34,207	-
Total current assets	1,551,329	211,520	1,762,849	1,231,979
Noncurrent assets:				
Restricted assets (Note 1)	453,789	-	453,789	-
Depreciable capital assets (Note 4)	22,549,771	390,510	22,940,281	1,452,354
Total noncurrent assets	23,003,560	390,510	23,394,070	1,452,354
Total assets	24,554,889	602,030	25,156,919	2,684,333
Liabilities				
Current liabilities:				
Accounts payable	190,965	3,227	194,192	167,141
Accrued and other liabilities	28,971	-	28,971	3,828
Due to other funds (Note 5)	-	15,000	15,000	-
Current portion of long-term debt (Note 6)	250,000	-	250,000	-
Total current liabilities	469,936	18,227	488,163	170,969
Long-term debt - Net of current portion (Note 6)	5,050,000	-	5,050,000	103,596
Total liabilities	5,519,936	18,227	5,538,163	274,565
Net Assets				
Investment in capital assets - Net of related debt	17,249,771	390,510	17,640,281	1,452,354
Restricted for debt service	453,789	-	453,789	-
Unrestricted	1,331,393	193,293	1,524,686	957,414
Total net assets	<u>\$ 19,034,953</u>	<u>\$ 583,803</u>	<u>\$ 19,618,756</u>	<u>\$ 2,409,768</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

				Governmental Activities
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Water sales and charges for services	\$ 4,203,245	\$ -	\$ 4,203,245	\$ -
Penalties	44,335	-	44,335	-
Fees and violations	-	156,343	156,343	-
Park violations	-	109,724	109,724	-
Dockings and launching fees	-	164,601	164,601	-
Commodity sales	-	52,595	52,595	-
Revenue and billings to other funds	-	-	-	1,466,098
Other revenues	449,077	-	449,077	-
	<u>4,696,657</u>	<u>483,263</u>	<u>5,179,920</u>	<u>1,466,098</u>
Total operating revenue	4,696,657	483,263	5,179,920	1,466,098
Operating Expenses				
Cost of water and disposal	2,860,367	-	2,860,367	-
Operation and maintenance	250,654	328,710	579,364	552,343
General and administrative	664,648	102,650	767,298	638,252
Depreciation	613,787	44,276	658,063	268,290
Insurance expense and contractual services	-	-	-	76,799
Charges from Internal Service Funds	260,000	46,500	306,500	15,000
Other expenses	275,000	-	275,000	-
	<u>4,924,456</u>	<u>522,136</u>	<u>5,446,592</u>	<u>1,550,684</u>
Total operating expenses	4,924,456	522,136	5,446,592	1,550,684
Operating Loss	(227,799)	(38,873)	(266,672)	(84,586)
Nonoperating Income (Expense)				
Loss on sale of capital assets	-	-	-	(4,504)
Interest expense	(172,524)	-	(172,524)	-
Interest income	52,093	1,324	53,417	39,935
	<u>(120,431)</u>	<u>1,324</u>	<u>(119,107)</u>	<u>35,431</u>
Total nonoperating income (expense)	(120,431)	1,324	(119,107)	35,431
Loss - Before capital contributions and transfers	(348,230)	(37,549)	(385,779)	(49,155)
Capital Contributions from Grants	125,373	-	125,373	-
Loss - Before transfers	(222,857)	(37,549)	(260,406)	(49,155)
Other Financing Sources (Uses)				
Transfers in (Note 5)	840,000	-	840,000	-
Transfers out (Note 5)	(20,000)	(10,000)	(30,000)	-
	<u>820,000</u>	<u>(10,000)</u>	<u>810,000</u>	<u>-</u>
Total other financing sources	820,000	(10,000)	810,000	-
Change in Net Assets	597,143	(47,549)	549,594	(49,155)
Net Assets - Beginning of year	18,437,810	631,352	19,069,162	2,458,923
Net Assets - End of year	<u>\$ 19,034,953</u>	<u>\$ 583,803</u>	<u>\$ 19,618,756</u>	<u>\$ 2,409,768</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 4,574,378	\$ 483,263	\$ 5,057,641	\$ 1,466,098
Payments to suppliers	(3,781,594)	(377,221)	(4,158,815)	(486,758)
Payments to employees	(664,648)	(102,650)	(767,298)	(638,457)
Other receipts	(111,212)	(61,244)	(172,456)	4,289
Net cash provided by (used in) operating activities	16,924	(57,852)	(40,928)	345,172
Cash Flows from Noncapital Financing Activities -				
Transfers from (to) other funds	820,000	(10,000)	810,000	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	125,373	-	125,373	500
Purchase of capital assets	(454,053)	-	(454,053)	(428,011)
Principal and interest paid on capital debt	(382,524)	-	(382,524)	-
Net cash used in capital and related financing activities	(711,204)	-	(711,204)	(427,511)
Cash Flows from Investing Activities - Interest received on investments	52,093	1,325	53,418	39,935
Net Increase (Decrease) in Cash and Cash Equivalents	177,813	(66,527)	111,286	(42,404)
Cash and Cash Equivalents - Beginning of year	699,047	187,840	886,887	1,263,334
Cash and Cash Equivalents - End of year	<u>\$ 876,860</u>	<u>\$ 121,313</u>	<u>\$ 998,173</u>	<u>\$ 1,220,930</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 423,071	\$ 121,313	\$ 544,384	\$ 1,220,930
Restricted cash and investments (Note 1)	453,789	-	453,789	-
Total cash and cash equivalents	<u>\$ 876,860</u>	<u>\$ 121,313</u>	<u>\$ 998,173</u>	<u>\$ 1,220,930</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (227,799)	\$ (38,873)	\$ (266,672)	\$ (84,586)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	613,787	44,276	658,063	268,290
Changes in assets and liabilities:				
Receivables	(122,280)	128	(122,152)	693
Other assets	(182)	(22,860)	(23,042)	-
Due from/to other funds	(140,000)	(41,000)	(181,000)	-
Accounts payable	(135,573)	(313)	(135,886)	145,837
Accrued and other liabilities	28,971	790	29,761	14,938
Net cash provided by (used in) operating activities	<u>\$ 16,924</u>	<u>\$ (57,852)</u>	<u>\$ (40,928)</u>	<u>\$ 345,172</u>

There were no significant noncash investing or financing activities during the year.

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2007

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,131,845	\$ 22,398
Investments:		
U.S. government securities	8,804,107	-
Corporate bonds	757,002	-
Stocks	26,248,436	-
Accrued interest receivable	103,831	-
Other receivables	505,320	-
Total assets	38,550,541	<u><u>\$ 22,398</u></u>
Liabilities		
Accounts payable	508,845	\$ 15,402
Accrued liabilities	-	6,996
Total liabilities	<u>508,845</u>	<u><u>\$ 22,398</u></u>
Net Assets - Held in trust for pension and other employee benefits		<u><u>\$ 38,041,696</u></u>

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension Trust Funds Year Ended June 30, 2007

Additions

Investment income:	
Interest and dividends	\$ 1,095,078
Net increases to fair market value	3,832,161
Less investment expense	<u>(316,231)</u>
Total additions	4,611,008
Contributions:	
Employer	2,402,728
Employee	<u>293,982</u>
Total contributions	<u>2,696,710</u>
Net additions	7,307,718

Deductions

Employee refunds	98,749
Pension payments	2,141,044
Healthcare benefit payments	1,191,891
Administrative fee	<u>16,029</u>
Total deductions	<u>3,447,713</u>

Net Increase 3,860,005

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>34,181,691</u>
End of year	<u><u>\$ 38,041,696</u></u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Grosse Pointe Woods, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City was incorporated as a home rule village on January 4, 1927 and as a home rule city on December 11, 1950. The City has a population of 17,080 per the 2000 census and encompasses 3.2 square miles. The City is located approximately 10 miles north of downtown Detroit and is over 97 percent residential. There are no major industries or corporations located within the City limits.

The City is governed by an elected six-member council. The City's administration operates under the overall direction of an elected mayor. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in the City's reporting entity.

Jointly Governed Organization - The City of Grosse Pointe Woods is a member of the Grosse Pointes-Clinton Refuse Disposal Authority joint venture, which provided refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the Cities of Grosse Pointe Park, Grosse Pointe, Grosse Pointe Shores, Harper Woods, Mount Clemens, Grosse Pointe Farms, and the Township of Clinton. The City Council appoints one member to the Authority's governing board, which then approves its budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs. Complete financial statements for the Grosse Pointes-Clinton Refuse Disposal Authority joint venture can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (primary government). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes billed during the month of December will be used to finance the following year's operations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

Property taxes, licenses, and interest are susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street Fund accounts for the maintenance and replacement of all major streets within the City. Funding is provided by distribution of gas tax proceeds.
- The Local Street Fund accounts for the maintenance and replacement of all local streets within the City. Funding is provided by distribution of gas tax proceeds.
- The Cable Franchise Fund accounts for the investment of proceeds from the sale of the City's interest in a cable company's earnings used for capital improvements.
- The Grosse-Gratiot Drain Fund accounts for revenues received and used to pay principal and interest on the Grosse-Gratiot Drain long-term debt. Funding is provided by a specific property tax millage.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary fund:

- The Water and Sewer Fund accounts for the activity of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Additionally, the City reports the following activities in its Internal Service Funds and fiduciary fund types:

- The Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the City on a cost reimbursement basis. The City has three Internal Service Funds:
 - o The Motor Vehicle Fund has been established to account for costs associated with vehicles purchased by the City and used by all departments within the City.
 - o The Workers' Compensation Fund is used to fund workers' compensation claims and purchase insurance that provides coverage for employees. The fund is financed primarily by charges to various departments of the City.
 - o The Management Information Systems Fund accounts for the maintenance and operation of the City computer and communication network system.
- The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees and is reported as a fiduciary fund.
- The Agency Funds record primarily tax collections received and remitted to other units of government (the county, community college, school district, etc.), as well as building bonds and deposits, held for temporary periods. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement or results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The City's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the City of Grosse Pointe Woods totaled \$838 million, on which ad valorem taxes levied consisted of 9.1889 mills for operating purposes, 0.3578 mills for the ambulance, 0.5665 mills for the park bond, 0.0596 mills for public relations, 0.9362 mills for police and retirement, 1.8807 mills for solid waste disposal, and 4.2471 mills for the Grosse-Gratiot Drain. This resulted in \$7.70 million for operating purposes, \$0.3 million for the ambulance, \$0.5 million for the park bond, \$0.1 million for public relations, \$0.8 million for police and retirement, \$1.57 million for solid waste disposal, and \$3.56 million for the Grosse-Gratiot Drain. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as property tax revenue.

The delinquent real property taxes of the City are purchased by Wayne County (the "County"). In approximately April or May, the County treasurer reimburses the local unit for delinquent real property taxes through the County Revolving Fund. If delinquent real taxes cannot be collected by the County, the local unit portion of the tax is invoiced or deducted from the monthly County settlement.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Restricted Assets - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. The balance of the restricted asset account for revenue bond restrictions for debt payments is \$453,789 at June 30, 2007. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Restricted assets in the 2006 Park Bond Fund represent unspent bond proceeds to be used for capital improvements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	10-50 years
Buildings	25 years
Vehicles	3-7 years
Equipment	5 years
Land improvements	10-20 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy that employees earn vacation pay benefits on their anniversary date and sick benefits monthly. The government-wide and proprietary fund statements accrue all vacation and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted sources.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure.

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - July 1, 2006	\$	-
Current year building permit revenue		226,440
Related expenses:		
Direct costs	\$	268,031
Estimated indirect costs		<u>94,000</u>
Total construction code expenses		<u>362,031</u>
Cumulative shortfall - June 30, 2007	\$	<u><u>(135,591)</u></u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City's pension and other employee benefit trust funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated seven banks for the deposit of its funds. The investment policy adopted by the board (for non-pension assets) in accordance with Public Act 196 of 1997 has authorized investment in all of the state statutory authorities as listed above except for obligations of the State of Michigan or its political subdivisions. Also, the City's investment policy allows the City to invest not more than 50 percent of any one fund in commercial paper rated at the time of the purchase within the three highest classifications established by not less than two standard rating services. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,569,948 in bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day or less maturity. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	0-5 Years	5-15 Years	15 Years and More
Primary Government				
U.S. government agencies and securities:				
Negotiable certificates of deposit	\$ 1,371,633	\$ 1,371,633	\$ -	\$ -
Federal Home Loan Bank	3,142,331	1,524,770	1,617,561	-
Federal National Mortgage Association	666,892	390,548	276,344	-
Federal Home Loan Mortgage Corporation	1,086,795	-	1,069,165	17,630
Federal Farm Credit Bank	751,200	-	751,200	-
Fiduciary Funds				
U.S. Treasury bonds and notes	5,763,141	4,052,884	1,692,880	17,377
Corporate bonds	757,003	739,652	17,351	-
Federal National Mortgage Association	3,037,966	3,032,200	5,766	-

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment Type	Fair Value	Rating	Rating Organization
Primary government:			
Sweep accounts	\$ 1,827,155	Aaa	Moody's
	3,820,063	AAA	S&P
U.S. government agencies and securities	1,854,639	AI/PI/FI	N/A
	3,300,374	Not Rated	N/A
Fiduciary Funds:			
Federal Home Loan Mortgage Corp.	2,417,029	AAA	S&P
Federal National Mortgage Association	296,706	AA+	S&P
	6,802	AA	S&P
Collateralized mortgage obligations	1,056,066	AA-	S&P
	6,917	A+	S&P
	8,541	A	S&P
	2,907	A-	S&P
	32,454	Not Rated	N/A

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. The City has more than 5 percent of its investments in the following:

Primary government:	
U.S. government and securities:	
Federal Home Loan Bank	28.46%
Federal Farm Credit Bank	6.80%
Federal National Mortgage Association	6.04%
Federal Home Loan Mortgage Corporation	9.84%
Fiduciary funds - Federal National Mortgage Association	8.08%

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Governmental Activities				
Governmental funds:				
Capital assets not being depreciated:				
Land	\$ 1,502,890	\$ 45,077	\$ -	\$ 1,547,967
Construction in progress	-	6,808	-	6,808
Subtotal	1,502,890	51,885	-	1,554,775
Capital assets being depreciated:				
Infrastructure	21,373,767	2,224,934	-	23,598,701
Buildings	7,456,771	1,234,035	-	8,690,806
Land improvements	116,766	-	-	116,766
Equipment and vehicles	2,482,834	174,598	(74,560)	2,582,872
Subtotal	31,430,138	3,633,567	(74,560)	34,989,145
Accumulated depreciation:				
Infrastructure	3,569,652	465,026	-	4,034,678
Buildings	2,175,601	242,707	-	2,418,308
Land improvements	6,948	3,472	-	10,420
Equipment and vehicles	2,326,371	151,591	(31,802)	2,446,160
Subtotal	8,078,572	862,796	(31,802)	8,909,566
Net capital assets being depreciated	23,351,566	2,770,771	(42,758)	26,079,579
Net governmental funds capital assets	24,854,456	2,822,656	(42,758)	27,634,354
Internal Service Funds:				
Capital assets being depreciated:				
Vehicles	3,824,982	428,011	(446,657)	3,806,336
Equipment	114,039	-	-	114,039
Subtotal	3,939,021	428,011	(446,657)	3,920,375
Accumulated depreciation:				
Vehicles	2,574,472	256,282	(441,653)	2,389,101
Equipment	66,912	12,008	-	78,920
Subtotal	2,641,384	268,290	(441,653)	2,468,021
Net Internal Service Funds capital assets	1,297,637	159,721	(5,004)	1,452,354
Net governmental activities capital assets	\$ 26,152,093	\$ 2,982,377	\$ (47,762)	\$ 29,086,708

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets being depreciated:				
Infrastructure	\$ 29,182,806	\$ 454,053	\$ -	\$ 29,636,859
Land improvements	<u>1,534,590</u>	<u>-</u>	<u>-</u>	<u>1,534,590</u>
Subtotal	30,717,396	454,053	-	31,171,449
Accumulated depreciation:				
Infrastructure	6,473,301	613,787	-	7,087,088
Land improvements	<u>1,099,804</u>	<u>44,276</u>	<u>-</u>	<u>1,144,080</u>
Subtotal	<u>7,573,105</u>	<u>658,063</u>	<u>-</u>	<u>8,231,168</u>
Net business-type capital assets	<u>\$ 23,144,291</u>	<u>\$ (204,010)</u>	<u>\$ -</u>	<u>\$ 22,940,281</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 58,261
Public safety	489,350
Public works	48,114
Recreation and culture	267,071
Internal Service Funds	<u>268,290</u>
Total governmental activities	<u>\$ 1,131,086</u>
Business-type activities:	
Water and sewer	\$ 613,787
Parking utility	36,478
Boat dock	<u>7,798</u>
Total business-type activities	<u>\$ 658,063</u>

At June 30, 2007, the City has committed to various concrete repairs and paving projects. The total remaining commitment on the construction projects at June 30, 2007 is approximately \$2.2 million.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Grosse-Gratiot Drain Fund	\$ 135,000
	Nonmajor enterprise funds	<u>15,000</u>
	Total General Fund	150,000
Local Street Fund	Major Street Fund	650,000
Cable Fund	General Fund	50,000
Nonmajor governmental funds	General Fund	410,371
Water and Sewer Fund	General Fund	<u>56,000</u>
	Total	<u>\$ 1,316,371</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Local Street Fund	\$ 1,777,000
	Major Street Fund	631,000
	Nonmajor governmental funds	507,500
	Cable Franchise Fund	<u>75,000</u>
	Total General Fund	(1) 2,990,500
Local Street Fund	Cable Franchise Fund	(2) 500,000
Cable Franchise Fund	Major Street Fund	55,000
	Nonmajor governmental funds	(2) <u>130,000</u>
	Total Cable Franchise Fund	185,000

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Fund Transferred From	Fund Transferred To	Amount
Grosse-Gratiot Drain Fund	General Fund	\$ 90,000
	Local Street Fund	77,000
	Major Street Fund	486,000
	Water and Sewer Fund	<u>840,000</u>
	Total Grosse-Gratiot Drain Fund	(3) 1,493,000
Nonmajor governmental funds	General Fund	83,000
	Local Streets Fund	(1) <u>650,000</u>
	Total nonmajor governmental funds	733,000
Water and Sewer Fund	Nonmajor governmental funds	20,000
Nonmajor Enterprise Funds	Nonmajor governmental funds	<u>10,000</u>
	Total	<u>\$ 5,931,500</u>

- (1) The transfers between funds represent transfers of unrestricted resources to finance operations of the various departments in accordance with budgetary authorizations.
- (2) The transfer of funds represents the use of restricted resources for capital projects to fund various construction projects.
- (3) The transfers between funds represent property tax revenue used to fund drain projects in which the expenses occurred in various funds.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the government. Other long-term obligations include compensated absences and risk liabilities in which the activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:						
General Obligation Bonds:						
2003 Recreation Refunding Bonds:						
Amount of issue - \$2,175,000	2.45%-	\$420,000				
Maturing through 2009	3.55%	\$460,000	\$ 1,750,000	\$ (430,000)	\$ 1,320,000	\$ 440,000
2006 Limited Tax Note:						
Amount of issue - \$1,325,000						
Maturing in 2008	4.30%	\$1,325,000	-	1,325,000	1,325,000	-
County Contractual - Wayne County Drain Commission:						
Combined Drain Bonds:						
Amount of issue - \$19,208,696		\$1,028,497				
Maturing through 2013	Various	\$1,222,097	7,858,927	(1,028,497)	6,830,430	1,058,747
Other long-term obligations:						
Employee compensated absences			1,137,363	44,964	1,182,327	132,000
Estimated liability for workers' compensation claims (Note 10)			100,000	3,596	103,596	103,596
Total governmental activities			10,846,290	(84,937)	10,761,353	1,734,343
Business-type activities:						
Revenue Bonds:						
1993 Revenue Bond:						
Amount of issue - \$2,020,000	4.50% -	\$210,000				
Maturing through 2006	4.60%	\$210,000	210,000	(210,000)	-	-
2003 Revenue Bond:						
Amount of issue - \$5,300,000	2.25%-	\$250,000				
Maturing through 2022	3.95%	\$445,000	5,300,000	-	5,300,000	250,000
Total business-type activities			5,510,000	(210,000)	5,300,000	250,000
Total business-type and governmental activities			\$ 16,356,290	\$ (294,937)	\$ 16,061,353	\$ 1,984,343

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund related to employee salaries and fringes. Additionally, for the business-type activities, claims and judgments and compensated absences are generally liquidated by the Water and Sewer Fund for employee salaries and fringes.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,498,747	\$ 252,765	\$ 1,751,512	\$ 250,000	\$ 171,016	\$ 421,016
2009	2,877,022	192,368	3,069,390	255,000	165,176	420,176
2010	1,539,247	109,663	1,648,910	265,000	158,835	423,835
2011	1,152,522	72,590	1,225,112	275,000	151,741	426,741
2012	1,185,797	43,945	1,229,742	280,000	143,760	423,760
2013-2017	1,222,095	14,676	1,236,771	1,580,000	577,225	2,157,225
2018-2022	-	-	-	1,950,000	276,355	2,226,355
2023-2027	-	-	-	445,000	8,789	453,789
Total	<u>\$ 9,475,429</u>	<u>\$ 686,007</u>	<u>\$ 10,161,436</u>	<u>\$ 5,300,000</u>	<u>\$ 1,652,897</u>	<u>\$ 6,952,897</u>

Note 7 - Pension Plans

Pension Trust Fund

Plan Description

The City administers a single-employer defined benefit pension plan, the "City of Grosse Pointe Woods Employees' Retirement System" or the "System." The System covers substantially all full-time employees and provides retirement benefits as well as death and disability benefits. The plan does not publish a separate financial report. The City also offers a Supplemental Annuity Plan, which covers the same employees.

At June 30, 2006, the date of the most recent actuarial valuation, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	88
Current active employees	<u>101</u>
Total membership	<u>189</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Pension Plans (Continued)

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the systems for these employees was established by negotiation with the City's competitive bargaining units and the Retirement System Ordinance. The ordinance requires the City and covered employees to make contributions of 5 percent for general employees and 6 percent for public safety employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Costs

For the year ended June 30, 2007, the City was required to make a contribution to the pension plan of \$1,306,228, exclusive of \$293,982 of employee contributions, which was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2006 using the entry actual age cost method. Significant actuarial assumptions used include an 8.0 percent investment rate of return, and projected salary increases ranging from 5.5 percent to 9.3 percent. The projected salary increases include an inflation factor of 5.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions on an open basis. The remaining amortization period is 25 years.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Pension Plans (Continued)

Supplemental Annuity Fund

Plan Description

The Supplemental Annuity Fund, a single employer plan, is an additional benefit that is paid to eligible retirees based upon their total years of service with the City at the date of their retirement. Amounts paid to the retiree range from \$3,000 annually for 10 years of service to \$4,800 maximum for 25 years of service. The Supplemental Annuity Fund was established as a negotiable item within the various union contracts. Supplemental annuity benefits were discontinued for all public safety employees effective January 1, 1995. The monies transferred by the City to the Supplemental Annuity Fund are done subsequent to an actuarial review performed by Gabriel, Roeder and Smith. The City pays 100 percent of the contribution made to the plan. The plan does not issue separate financial statements.

Annual Pension Costs

For the year ended June 30, 2007, the City's annual supplemental annuity cost of \$292,000 for the system was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2006 using the entry actual age cost method. Significant actuarial assumptions used include an 8.0 percent investment rate of return, and projected salary increases ranging from 5.5 percent to 9.3 percent. The projected salary increases include an inflation factor of 5.0 percent. The actuarial value of assets was determined using market value. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions on a closed basis. The remaining amortization period is 17 years.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Pension Plans (Continued)

Financial Statement Information - As of June 30, 2007, the statement of net assets for the pension plans is as follows:

	Pension and Other Employee Benefit Funds			
	Pension Trust Fund	Supplementary Annuity Fund	Retiree Health Care Trust Fund	Total
Assets				
Cash and cash equivalents	\$ 1,787,888	\$ -	\$ 343,957	\$ 2,131,845
Investments:				
U.S. government securities	7,940,190	788,255	75,662	8,804,107
Corporate bonds	722,796	-	34,206	757,002
Stocks	26,041,413	-	207,023	26,248,436
Accrued interest receivable	102,313	-	1,518	103,831
Other receivables	505,320	-	-	505,320
Total assets	37,099,920	788,255	662,366	38,550,541
Liabilities - Accounts payable	-	-	508,845	508,845
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 37,099,920	\$ 788,255	\$ 153,521	\$ 38,041,696

For the year ended June 30, 2007, the statement of changes in net assets for the pension plans is as follows:

	Pension and Other Employee Benefit Funds			
	Pension Trust Fund	Supplementary Annuity Fund	Retiree Health Care Trust Fund	Total
Additions				
Investment income:				
Interest and dividends	\$ 1,081,484	\$ 8,936	\$ 4,658	\$ 1,095,078
Net increases to fair market value	3,822,847	-	9,314	3,832,161
Less investment expenses	(316,231)	-	-	(316,231)
Total investment income	4,588,100	8,936	13,972	4,611,008
Contributions:				
Employer	1,306,228	290,000	806,500	2,402,728
Employee	293,982	-	-	293,982
Total additions	6,188,310	298,936	820,472	7,307,718

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Pension Plans (Continued)

	Pension Trust Fund	Supplementary Annuity Fund	Retiree Health Care Trust Fund	Total
Deductions				
Employee refunds	\$ 98,749	\$ -	\$ -	\$ 98,749
Pension payments	2,141,044	-	-	2,141,044
Healthcare benefit payments	-	222,714	969,177	1,191,891
Administrative fee	-	5,808	10,221	16,029
Total deductions	<u>2,239,793</u>	<u>228,522</u>	<u>979,398</u>	<u>3,447,713</u>
Net Increase (Decrease)	3,948,517	70,414	(158,926)	3,860,005
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	<u>33,151,403</u>	<u>717,841</u>	<u>312,447</u>	<u>34,181,691</u>
End of year	<u>\$ 37,099,920</u>	<u>\$ 788,255</u>	<u>\$ 153,521</u>	<u>\$ 38,041,696</u>

Three-year Trend Information

	Fiscal Year Ended June 30		
	2005	2006	2007
Pension trust:			
Annual pension costs (APC)	\$ 169,976	\$ 575,540	\$ 1,306,228
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
Supplemental annuity:			
Annual pension costs (APC)	\$ 250,000	\$ 292,000	\$ 290,000
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

The information presented above was determined as part of the actuarial valuations at the dates indicated.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Postemployment Benefits

The City provides healthcare benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 102 individuals are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$970,000.

Beginning in fiscal year 2005, the City began to set aside monies in a trust fund under PA 149 of 1999. This allows for the investment of these funds in accordance with the Pension Act. During the year, the City contributed \$806,500 into this fund.

Financial Statement Information - As of June 30, 2007, the statement of net assets for the retiree healthcare trust is as follows:

	Retiree Health Care Trust Fund
Assets	
Cash and cash equivalents	\$ 343,957
Investments:	
U.S. government securities	75,662
Corporate bonds	34,206
Stocks	207,023
Accrued interest receivable	<u>1,518</u>
Total assets	662,366
Liabilities - Accounts payable	<u>508,845</u>
Net Assets - Reserved	<u><u>\$ 153,521</u></u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Postemployment Benefits (Continued)

For the year ended June 30, 2007, the statement of changes in net assets for the retiree health care trust is as follows:

	Retiree Health Care Trust Fund
Additions	
Investment income:	
Interest and dividends	\$ 4,658
Net increases to fair market value	9,314
Total investment income	13,972
Contributions - Employer	806,500
Total additions	820,472
Deductions	
Healthcare benefit payments	969,177
Administrative fee	10,221
Total deductions	979,398
Net Decrease	(158,926)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	312,447
End of year	\$ 153,521

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Postemployment Benefits (Continued)

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Note 9 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is available to all full-time City employees, which permits them to defer a portion of their salary until future years. Payment of the deferred compensation is not available to employees until retirement, death, or unforeseeable emergency. As of June 30, 2007, employees who had elected to participate in the Plan had contributed \$1,942,979.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the individual participants.

In accordance with GASB Statement No. 32, all the assets held in trust were removed from the financial statements as the City no longer has legal control over the Plan assets.

Note 10 - Risk Management

The City is exposed to risk of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The City has purchased commercial general liability insurance for claims relating to property loss claims, torts, and errors and omissions. The City is self-insured for workers' compensation claims and participates in a self-funding program for medical claims with other communities. Under the workers' compensation program and medical program, the City is held liable for the first \$400,000 and \$25,000, respectively, of any occurrence. The City has purchased excess insurance to cover claims greater than the stop-loss limits.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2007

Note 10 - Risk Management (Continued)

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the Workers' Compensation Internal Service Fund and within the governmental activities and business-type activities columns of the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation	
	2007	2006
Estimated liability - Beginning of year	\$ 100,000	\$ 100,000
Estimated claims incurred, including changes in estimates	112,876	110,769
Claim payments	(109,280)	(110,769)
Estimated liability - End of year	<u>\$ 103,596</u>	<u>\$ 100,000</u>

Medical

The City is self-funding medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. The self-funding program is done in conjunction with the cities of Grosse Pointe, Grosse Pointe Park, Grosse Pointe Farms, and the Village of Grosse Pointe Shores. The Village of Grosse Pointe Shores serves as the administrative agent for the program; however, each municipality is responsible for its individual claims.

The City estimates the liability for medical benefits claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The City's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. The estimated liability for medical claims at June 30, 2007, as well as the claims incurred during the period from July 1, 2006 through June 30, 2007, is not significant.

Required Supplemental Information

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 9,291,000	\$ 9,291,000	\$ 9,286,460	\$ (4,540)
Intergovernmental revenues	1,690,000	1,690,000	1,576,213	(113,787)
Delinquent interest and collection fee income	327,000	327,000	350,413	23,413
Other revenues:				
Traffic violations and court fees	730,000	730,000	574,100	(155,900)
Licenses and permits	732,000	732,000	666,958	(65,042)
Miscellaneous revenue	50,000	50,000	23,283	(26,717)
Interest income	300,000	300,000	236,705	(63,295)
Operating transfers in	180,000	180,000	173,000	(7,000)
Total revenue	13,300,000	13,300,000	12,887,132	(412,868)
Expenditures				
General government:				
City Council	115,000	115,000	91,954	23,046
Commission	22,000	22,000	16,389	5,611
Municipal Court	415,000	415,000	402,779	12,221
City Clerk	314,000	314,000	241,260	72,740
City Comptroller	265,000	265,000	290,061	(25,061)
City Attorney	210,000	210,000	256,322	(46,322)
City Assessor	150,000	150,000	123,085	26,915
Administration	192,000	192,000	190,600	1,400
Building inspection	264,000	264,000	268,031	(4,031)
Fringe benefits	502,000	502,000	929,559	(427,559)
Total general government	2,449,000	2,449,000	2,810,040	(361,040)
Public safety:				
Supervision and administration	326,000	326,000	337,151	(11,151)
Police service	2,765,000	2,765,000	2,702,881	62,119
Support service	129,000	129,000	125,996	3,004
Fire, prevention, and inspection	260,000	260,000	239,240	20,760
Fringe benefits	1,680,000	1,680,000	1,499,847	180,153
Total public safety	5,160,000	5,160,000	4,905,115	254,885

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (Continued):				
Public works:				
Supervision and engineering	\$ 65,000	\$ 65,000	\$ 56,591	\$ 8,409
Fringe benefits	115,000	115,000	91,425	23,575
City building and grounds	110,000	110,000	119,879	(9,879)
Total public works	290,000	290,000	267,895	22,105
Parks and recreation:				
Supervision and engineering	26,000	26,000	34,054	(8,054)
Fringe benefits	190,000	190,000	165,331	24,669
Lake Front Park	1,155,000	1,155,000	1,199,346	(44,346)
City parks	51,000	51,000	40,059	10,941
Community center	325,000	325,000	322,539	2,461
Total parks and recreation	1,747,000	1,747,000	1,761,329	(14,329)
Charges from Internal Service Fund for use of equipment and supplies and transfers/overhead:				
General government	221,000	221,000	212,031	8,969
Public safety	345,000	345,000	564,772	(219,772)
Public works	3,036,000	3,036,000	3,126,635	(90,635)
Parks and recreation	552,000	552,000	551,167	833
Total charges and transfers/overhead	4,154,000	4,154,000	4,454,605	(300,605)
Total expenditures	13,800,000	13,800,000	14,198,984	(398,984)
Net Change in Fund Balance	(500,000)	(500,000)	(1,311,852)	(811,852)
Fund Balance - Beginning of year	4,674,366	4,674,366	4,674,366	-
Fund Balance - End of year	\$ 4,174,366	\$ 4,174,366	\$ 3,362,514	\$ (811,852)

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2007

	Major Street Fund			
	Original Budget	Final Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
State and local sources	\$ 700,000	\$ 700,000	\$ 700,767	\$ 767
Other revenues	42,000	42,000	80,303	38,303
Operating transfers in	918,000	918,000	1,172,000	254,000
Total revenues	1,660,000	1,660,000	1,953,070	293,070
Expenditures				
Street maintenance	1,485,000	1,485,000	755,927	729,073
Winter maintenance	20,000	20,000	6,964	13,036
Administration and maintenance	380,000	380,000	356,701	23,299
Transfers/Overhead	-	-	650,000	(650,000)
Total expenditures	1,885,000	1,885,000	1,769,592	115,408
Net Change in Fund Balance	(225,000)	(225,000)	183,478	408,478
Fund Balance - Beginning of year	126,269	126,269	126,269	-
Fund Balance - End of year	<u>\$ (98,731)</u>	<u>\$ (98,731)</u>	<u>\$ 309,747</u>	<u>\$ 408,478</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2007

	Local Streets Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
State and local sources	\$ 275,000	\$ 275,000	\$ 288,920	\$ 13,920
Other	120,000	120,000	118,353	(1,647)
Operating transfers in	2,200,000	2,200,000	2,504,000	304,000
Total revenues	2,595,000	2,595,000	2,911,273	316,273
Expenditures				
Street maintenance	2,140,000	2,140,000	1,989,664	150,336
Winter maintenance	20,000	20,000	16,252	3,748
Administration and maintenance	435,000	435,000	414,948	20,052
Transfers/Overhead	-	-	500,000	(500,000)
Total expenditures	2,595,000	2,595,000	2,920,864	(325,864)
Net Change in Fund Balance	-	-	(9,591)	(9,591)
Fund Balance - Beginning of year	40,587	40,587	40,587	-
Fund Balance - End of year	<u>\$ 40,587</u>	<u>\$ 40,587</u>	<u>\$ 30,996</u>	<u>\$ (9,591)</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Debt Service Fund Year Ended June 30, 2007

	Grosse-Gratiot Drain Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
Property taxes	\$ 2,204,000	\$ 2,204,000	\$ 3,559,797	\$ 1,355,797
Other revenues	6,000	6,000	1,400	(4,600)
Total revenues	2,210,000	2,210,000	3,561,197	1,351,197
Expenditures				
Milk River Drain	2,350,000	2,350,000	2,637,002	(287,002)
Other	30,000	30,000	29,763	237
Transfers/Overhead	1,187,000	1,187,000	1,493,000	(306,000)
Total expenditures	3,567,000	3,567,000	4,159,765	(592,765)
Net Change in Fund Balance	(1,357,000)	(1,357,000)	(598,568)	758,432
Fund Balance - Beginning of year	1,568,203	1,568,203	1,568,203	-
Fund Balance - End of year	<u>\$ 211,203</u>	<u>\$ 211,203</u>	<u>\$ 969,635</u>	<u>\$ 758,432</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2007

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
Pension Trust Fund						
12/31/01	\$ 38,298,000	\$ 29,108,000	\$ (9,190,000)	131.6%	\$ 4,853,000	0.0%
12/31/02	37,739,000	30,427,000	(7,312,000)	124.0%	5,058,000	0.0%
12/31/03	35,745,000	32,137,000	(3,608,000)	111.2%	4,970,000	0.0%
12/31/04	34,404,000	33,804,000	(600,000)	101.8%	5,050,000	0.0%
12/31/05	33,329,000	36,141,000	2,812,000	92.2%	5,436,000	51.7%
12/31/06	33,549,000	36,846,000	3,297,000	91.1%	5,452,000	60.5%
Supplemental Annuity Fund						
12/31/01	\$ 712,000	\$ 2,463,000	\$ 1,751,000	28.9%	\$ 4,853,000	36.1%
12/31/02	642,000	2,575,000	1,933,000	24.9%	5,058,000	38.2%
12/31/03	581,000	2,639,000	2,058,000	22.0%	4,970,000	41.4%
12/31/04	591,000	2,662,000	2,071,000	22.2%	5,050,000	41.0%
12/31/05	619,000	2,687,000	2,068,000	23.0%	5,436,000	38.0%
12/31/06	718,000	2,728,000	2,010,000	26.3%	5,452,000	36.9%

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2007

The schedule of employer contributions is as follows:

Pension Trust Fund

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ -	100.0%
2003	-	100.0%
2004	-	100.0%
2005	169,976	100.0%
2006	575,540	100.0%
2007	1,306,228	100.0%

Supplemental Annuity Fund

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 173,282	117.0%
2003	193,418	100.0%
2004	215,888	94.0%
2005	234,098	100.0%
2006	236,845	123.0%
2007	248,556	116.7%

Additional information as of December 31, 2006, the latest actuarial valuation, follows:

Pension Trust Fund

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Amortization period (perpetual)	25 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5.5% - 9.3%
*Includes inflation at	5.0%

Supplemental Annuity Fund

Actuarial cost method	Entry age
Amortization method	Closed level percentage of payroll
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5.5% - 9.3%
*Includes inflation at	5.0%

City of Grosse Pointe Woods, Michigan

Notes to Required Supplemental Information June 30, 2007

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Streets Fund		Local Streets Fund		Grosse-Pointe Drain Fund	
	Total Revenues	Total Expenditures	Total Revenues	Total Expenditures	Total Revenues	Total Expenditures	Total Revenues	Total Expenditures
Amounts per operating statement	\$ 12,714,132	\$ 11,208,484	\$ 781,070	\$ 1,119,592	\$ 407,273	\$ 2,420,864	\$ 3,561,197	\$ 2,666,765
Operating transfers budgeted as revenues and expenditures on budget statement	173,000	2,990,500	1,172,000	650,000	2,504,000	500,000	-	1,493,000
Amounts per budget statement	\$ 12,887,132	\$ 14,198,984	\$ 1,953,070	\$ 1,769,592	\$ 2,911,273	\$ 2,920,864	\$ 3,561,197	\$ 4,159,765

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, and Debt Service Funds except that operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

City of Grosse Pointe Woods, Michigan

Notes to Required Supplemental Information June 30, 2007

Note 2 - Budgetary Information (Continued)

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first council meeting in April, the city comptroller and the city supervisor prepare a proposed operating budget for the fiscal year commencing July 1 and submit it to the council. The budget must be adopted through a passage of a budget resolution no later than May 1.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the council receives requests to amend the activity budget. All amendments must be approved by a vote of the City Council. Changes in line items within an activity may be made with the approval of the city comptroller.

City of Grosse Pointe Woods, Michigan

Notes to Required Supplemental Information June 30, 2007

Note 2 - Budgetary Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of amounts budgeted, as follows.

	Budget	Actual
General Fund:		
General government:		
City comptroller	\$ 265,000	\$ 290,061
City attorney	210,000	256,322
Building inspection	264,000	268,031
Fringe benefits	502,000	929,559
Public safety - Supervision and administration	326,000	337,151
Public works - City building and grounds	110,000	119,879
Parks and recreation:		
Supervision and engineering	26,000	34,054
Lake Front Park	1,155,000	1,199,346
Charges from Internal Service Fund for use of equipment and supplies and transfers/overhead:		
Public safety	345,000	564,772
Public works	3,036,000	3,126,635
Major Streets Fund - Operating transfers out	-	650,000
Local Streets Fund - Operating transfers out	-	500,000
Grosse-Gratiot Drain Fund:		
Milk River Drain	2,350,000	2,637,002
Operating transfers out	1,187,000	1,493,000

Expenditures were over budget due to unexpected expenditures incurred during the current year.

The Cable Franchise Fund, the Parkway Beautification Fund, and the 2006 Park Bond Fund were not budgeted for in the current year. The Major Street Fund budgeted for a deficit in the current year.

Other Supplemental Information

City of Grosse Pointe Woods, Michigan

Description of Nonmajor Governmental Funds Year Ended June 30, 2007

Special Revenue Funds

These funds are used to account for specific revenue sources, which are legally restricted to expenditures for specific functions or activities. Restrictions may be imposed by state statute, the State Constitution, City board resolution or action, or the electorate through the approval of special dedicated millages.

Ambulance Fund - This fund accounts for the operations and maintenance of the city-owned ambulance. Financing is specified by City Charter as .5 mills of the general City millage.

Act 302 Training Fund - This fund accounts for the costs of training courses for the police department. Financing is provided by state grants.

Solid Waste Fund - This fund is used to account for the collection, disposal, and recycling of all residential and commercial waste within the City. Financing is provided by a separate tax millage.

Grants Fund - This fund is used to account for the activity of the Community Development Block Grant Program and other federal grants. Financing is provided by the Wayne County Economic Development Grant Program.

911 Emergency Service Fund - This fund accounts for monies expended to maintain and operate an emergency response system. Monies are received from the Ameritech Phone Company, which levies a surcharge on all phone users within the community.

Drug Enforcement Fund - This fund is used to account for monies seized in arrests for illegal drug activities and from various grants issued to the police department. Functions and activities include drug enforcement and education, departmental training, and expenses associated with the grants received.

Parkway Beautification Fund - This fund was created to account for monies provided by donors to finance parkway beautification activities.

Debt Service Fund

This fund is used to account for the accumulation of resources for the periodic payment of principal and interest on police and fire long-term debt.

City of Grosse Pointe Woods, Michigan

Description of Nonmajor Governmental Funds (Continued) **Year Ended June 30, 2007**

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Revenue sources include General Fund transfers, grants from other units of government, private contributions, and bond proceeds.

Municipal Improvement Fund - This fund accounts for the acquisition and construction of various construction projects in the City.

2006 Park Bond Fund - This fund accounts for the construction and improvement of the City pool.

City of Grosse Pointe Woods, Michigan

Special Revenue Funds					
	Ambulance Fund	Act 302 Training Fund	Solid Waste Fund	911 Emergency Service Fund	
				Grants Fund	
Assets					
Cash and investments	\$ 299,135	\$ 9,967	\$ -	\$ 1,515	\$ 11,384
Restricted cash	-	-	-	-	-
Accounts receivable	10,101	-	41,478	-	13,438
Due from other funds	43,244	-	367,127	-	-
Total assets	\$ 352,480	\$ 9,967	\$ 408,605	\$ 1,515	\$ 24,822
Liabilities and Fund Balance					
Liabilities - Accounts payable	\$ 2,600	\$ -	\$ 218,302	\$ -	\$ -
Fund Balance					
Unreserved - Designated for subsequent year's expenditures	-	-	-	-	7,500
Unreserved - Undesignated	349,880	9,967	190,303	1,515	17,322
Total fund balances	349,880	9,967	190,303	1,515	24,822
Total liabilities and fund balance	\$ 352,480	\$ 9,967	\$ 408,605	\$ 1,515	\$ 24,822

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Drug Enforcement Fund	Parkway Beautification Fund	2005 Park Refunding Bond	Municipal Improvement Fund	2006 Park Bond	
\$ -	\$ 186,370	\$ 426	\$ 51,291	\$ -	\$ 560,088
-	-	-	-	113,114	113,114
11	30	-	-	-	65,058
-	-	-	-	-	410,371
\$ 11	\$ 186,400	\$ 426	\$ 51,291	\$ 113,114	\$ 1,148,631
\$ -	\$ 31,811	\$ -	\$ 15,443	\$ 63,929	\$ 332,085
-	-	-	35,000	-	42,500
11	154,589	426	848	49,185	774,046
11	154,589	426	35,848	49,185	816,546
\$ 11	\$ 186,400	\$ 426	\$ 51,291	\$ 113,114	\$ 1,148,631

City of Grosse Pointe Woods, Michigan

	Special Revenue Funds				
	Ambulance Fund	Act 302 Training Fund	Solid Waste Fund	Grants Fund	911 Emergency Service Fund
Revenue					
Property taxes	\$ 299,864	\$ 9,052	\$ 1,571,928	\$ -	\$ -
Federal financial assistance	-	-	-	20,564	-
Other revenues	197,498	1,409	1,775	11	85,965
Total revenue	497,362	10,461	1,573,703	20,575	85,965
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	750	10,128	-	-	-
Parks and recreation	-	-	-	-	-
Administration and maintenance	165,676	-	-	-	-
Ambulance services	312,646	-	-	-	-
Contractual services	-	-	-	20,564	-
Other	11,855	-	-	-	74,336
Solid waste/recycling services	-	-	1,260,686	-	-
Municipal improvement	-	-	-	-	-
Charges from Internal Service Funds for use of equipment and supplies	30,000	-	130,000	-	20,000
Debt service:					
Principal retirement	-	-	-	-	-
Interest and paying agent fees	-	-	-	-	-
Total expenditures	520,927	10,128	1,390,686	20,564	94,336
Excess of Revenue Over (Under)					
Expenditures	(23,565)	333	183,017	11	(8,371)
Other Financing Sources (Uses)					
Proceeds from the issuance of long-term debt	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(83,000)	-	-
Total other financing sources (uses)	-	-	(83,000)	-	-
Net Change in Fund Balances	(23,565)	333	100,017	11	(8,371)
Fund Balances - Beginning of year	373,445	9,634	90,286	1,504	33,193
Fund Balances - End of year	<u>\$ 349,880</u>	<u>\$ 9,967</u>	<u>\$ 190,303</u>	<u>\$ 1,515</u>	<u>\$ 24,822</u>

**Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2007**

Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Drug Enforcement Fund	Parkway Beautification Fund	2005 Park Refunding Bond	Municipal Improvement Fund	2006 Park Bond	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,880,844
-	-	-	-	-	20,564
-	158,763	6	22,051	-	467,478
-	158,763	6	22,051	-	2,368,886
-	-	-	-	94,082	94,082
-	-	-	-	-	10,878
-	-	-	-	1,155,500	1,155,500
-	-	-	-	12,023	177,699
-	-	-	-	-	312,646
-	-	-	-	-	20,564
-	195,127	-	-	-	281,318
-	-	-	-	-	1,260,686
-	-	-	196,696	-	196,696
-	-	-	-	-	180,000
-	-	430,000	-	-	430,000
-	-	47,400	-	14,210	61,610
-	195,127	477,400	196,696	1,275,815	4,181,679
-	(36,364)	(477,394)	(174,645)	(1,275,815)	(1,812,793)
-	-	-	-	1,325,000	1,325,000
-	-	476,500	191,000	-	667,500
-	-	-	-	-	(83,000)
-	-	476,500	191,000	1,325,000	1,909,500
-	(36,364)	(894)	16,355	49,185	96,707
11	190,953	1,320	19,493	-	719,839
<u>\$ 11</u>	<u>\$ 154,589</u>	<u>\$ 426</u>	<u>\$ 35,848</u>	<u>\$ 49,185</u>	<u>\$ 816,546</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2007

	Ambulance Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Property taxes	\$ 300,000	\$ 300,000	\$ 299,864	\$ (136)
Other revenues	<u>175,000</u>	<u>175,000</u>	<u>197,498</u>	<u>22,498</u>
Total revenues	475,000	475,000	497,362	22,362
Expenditures				
Ambulance services	255,000	255,000	313,396	(58,396)
Fringe benefits	195,000	195,000	165,676	29,324
Transfers/Overhead	<u>55,000</u>	<u>55,000</u>	<u>41,855</u>	<u>13,145</u>
Total expenditures	<u>505,000</u>	<u>505,000</u>	<u>520,927</u>	<u>(15,927)</u>
Net Change in Fund Balance	(30,000)	(30,000)	(23,565)	6,435
Fund Balance - Beginning of year	<u>373,445</u>	<u>373,445</u>	<u>373,445</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 343,445</u></u>	<u><u>\$ 343,445</u></u>	<u><u>\$ 349,880</u></u>	<u><u>\$ 6,435</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

	Act 302 Training Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Property taxes	\$ 8,500	\$ 8,500	\$ 9,052	\$ 552
Other revenues	<u>1,500</u>	<u>1,500</u>	<u>1,409</u>	<u>(91)</u>
Total revenues	10,000	10,000	10,461	461
Expenditures - Public safety training	<u>10,000</u>	<u>10,000</u>	<u>10,128</u>	<u>(128)</u>
Net Change in Fund Balance	-	-	333	333
Fund Balance - Beginning of year	<u>9,634</u>	<u>9,634</u>	<u>9,634</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 9,634</u></u>	<u><u>\$ 9,634</u></u>	<u><u>\$ 9,967</u></u>	<u><u>\$ 333</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

	Solid Waste Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Property taxes	\$ 1,577,000	\$ 1,577,000	\$ 1,571,928	\$ (5,072)
Other revenues	<u>28,000</u>	<u>28,000</u>	<u>1,775</u>	<u>(26,225)</u>
Total revenues	1,605,000	1,605,000	1,573,703	(31,297)
Expenditures				
Solid waste/recycling services	1,420,000	1,420,000	1,260,686	159,314
Transfers/Overhead	<u>210,000</u>	<u>210,000</u>	<u>213,000</u>	<u>(3,000)</u>
Total expenditures	<u>1,630,000</u>	<u>1,630,000</u>	<u>1,473,686</u>	<u>156,314</u>
Net Change in Fund Balance	(25,000)	(25,000)	100,017	(125,017)
Fund Balance - Beginning of year	<u>90,286</u>	<u>90,286</u>	<u>90,286</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 65,286</u></u>	<u><u>\$ 65,286</u></u>	<u><u>\$ 190,303</u></u>	<u><u>\$ 125,017</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

	Grants Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Federal financial assistance	\$ 82,000	\$ 82,000	\$ 20,564	\$ (61,436)
Other revenues	-	-	11	11
Total revenues	82,000	82,000	20,575	(61,425)
Expenditures - Contractual services	82,000	82,000	20,564	61,436
Net Change in Fund Balance	-	-	11	11
Fund Balance - Beginning of year	1,504	1,504	1,504	-
Fund Balance - End of year	<u>\$ 1,504</u>	<u>\$ 1,504</u>	<u>\$ 1,515</u>	<u>\$ 11</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

	911 Emergency Service Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues - Other revenues	\$ 90,000	\$ 90,000	\$ 85,965	\$ (4,035)
Expenditures - Other expenditures	<u>105,000</u>	<u>105,000</u>	<u>94,336</u>	<u>10,664</u>
Net Change in Fund Balance	(15,000)	(15,000)	(8,371)	6,629
Fund Balance - Beginning of year	<u>33,193</u>	<u>33,193</u>	<u>33,193</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 18,193</u></u>	<u><u>\$ 18,193</u></u>	<u><u>\$ 24,822</u></u>	<u><u>\$ 6,629</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

	Drug Enforcement Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues - Other revenue	\$ -	\$ -	\$ -	\$ -
Expenditures - Other expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	11	11	11	-
Fund Balance - End of year	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ -</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

	2005 Park Refunding Bond			Variance With
	Original Budget	Final Budget	Actual	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Interest revenues	\$ -	\$ -	\$ 6	\$ 6
Transfers in	<u>475,000</u>	<u>475,000</u>	<u>476,500</u>	<u>(1,500)</u>
Total revenues	475,000	475,000	476,506	(1,506)
Expenditures - Bond and debt requirements	<u>475,000</u>	<u>475,000</u>	<u>477,400</u>	<u>(2,400)</u>
Net Change in Fund Balance	-	-	(894)	(894)
Fund Balance - Beginning of year	<u>1,320</u>	<u>1,320</u>	<u>1,320</u>	-
Fund Balance - End of year	<u><u>\$ 1,320</u></u>	<u><u>\$ 1,320</u></u>	<u><u>\$ 426</u></u>	<u><u>\$ (894)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

	Municipal Improvement Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Other revenue	\$ 40,000	\$ 40,000	\$ 22,051	\$ (17,949)
Transfers in	<u>191,000</u>	<u>191,000</u>	<u>191,000</u>	<u>-</u>
Total revenues	231,000	231,000	213,051	(17,949)
Expenditures - Municipal improvements	<u>266,000</u>	<u>266,000</u>	<u>196,696</u>	<u>(69,304)</u>
Net Change in Fund Balance	(35,000)	(35,000)	16,355	51,355
Fund Balance - Beginning of year	<u>19,493</u>	<u>19,493</u>	<u>19,493</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ (15,507)</u></u>	<u><u>\$ (15,507)</u></u>	<u><u>\$ 35,848</u></u>	<u><u>\$ 51,355</u></u>

City of Grosse Pointe Woods, Michigan

Description of Nonmajor Enterprise Funds Year Ended June 30, 2007

Parking Meter Utility Fund - To account for the City's parking meters and costs associated with maintaining the meters. Funding is provided by parking meter fees and violation fees.

Boat Dock Rental Fund - To account for boat dock rental units that are available to the citizens of Grosse Pointe Woods on an annual basis. Boat launch ramps and other water craft maintenance services are available.

Commodity Sales Fund - To record the purchases and sale of rubbish bags and other miscellaneous items that the municipality holds for resale.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2007

	Nonmajor Enterprise Funds			Total Non- major Enterprise Funds
	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	
Assets				
Current assets:				
Cash and investments	\$ -	\$ 47,131	\$ 74,182	\$ 121,313
Receivables:				
Due from other funds	-	56,000	-	56,000
Other	-	-	34,207	34,207
Total current assets	-	103,131	108,389	211,520
Noncurrent assets - Depreciable capital assets	307,265	83,245	-	390,510
Total assets	307,265	186,376	108,389	602,030
Liabilities				
Current liabilities:				
Accounts payable	2,826	401	-	3,227
Due to other funds	15,000	-	-	15,000
Total current liabilities	17,826	401	-	18,227
Net Assets				
Investment in capital assets - Net of related debt	307,265	83,245	-	390,510
Unrestricted (deficit)	(17,826)	102,730	108,389	193,293
Total net assets	\$ 289,439	\$ 185,975	\$ 108,389	\$ 583,803

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds Year Ended June 30, 2007

	Nonmajor Enterprise Funds			
	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total Nonmajor Enterprise Funds
Operating Revenue				
Fees and violations	\$ 156,343	\$ -	\$ -	\$ 156,343
Park violations	109,724	-	-	109,724
Dockings and launching fees	-	164,601	-	164,601
Commodity sales	-	-	52,595	52,595
Total operating revenue	266,067	164,601	52,595	483,263
Operating Expenses				
Operation and maintenance	171,430	114,491	42,789	328,710
General and administrative	100,650	2,000	-	102,650
Depreciation	36,478	7,798	-	44,276
Charges from Internal Service Funds	16,500	20,000	10,000	46,500
Total operating expenses	325,058	144,289	52,789	522,136
Operating (Loss) Income	(58,991)	20,312	(194)	(38,873)
Nonoperating Income - Interest income	581	659	84	1,324
(Loss) Income - Before transfers	(58,410)	20,971	(110)	(37,549)
Other Financing Uses - Transfers out	-	-	(10,000)	(10,000)
Change in Net Assets	(58,410)	20,971	(10,110)	(47,549)
Net Assets - Beginning of year	347,849	165,004	118,499	631,352
Net Assets - End of year	<u>\$ 289,439</u>	<u>\$ 185,975</u>	<u>\$ 108,389</u>	<u>\$ 583,803</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2007

	Nonmajor Enterprise Funds			Total Non-Major Enterprise Funds
	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	
Cash Flows from Operating Activities				
Receipts from customers	\$ 266,067	\$ 164,601	\$ 52,595	\$ 483,263
Payments to suppliers	(189,628)	(134,804)	(52,789)	(377,221)
Payments to employees	(100,650)	(2,000)	-	(102,650)
Other receipts	17,488	(56,000)	(22,732)	(61,244)
Net cash used in operating activities	(6,723)	(28,203)	(22,926)	(57,852)
Cash Flows from Noncapital Financing Activities -				
Transfers to other funds	-	-	(10,000)	(10,000)
Cash Flows from Investing Activities - Interest received on investments	580	661	84	1,325
Net Decrease in Cash and Cash Equivalents	(6,143)	(27,542)	(32,842)	(66,527)
Cash and Cash Equivalents - Beginning of year	6,143	74,673	107,024	187,840
Cash and Cash Equivalents - End of year	<u>\$ -</u>	<u>\$ 47,131</u>	<u>\$ 74,182</u>	<u>\$ 121,313</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (58,991)	\$ 20,312	\$ (194)	\$ (38,873)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	36,478	7,798	-	44,276
Changes in assets and liabilities:				
Receivables	-	-	128	128
Other assets	-	-	(22,860)	(22,860)
Due from/to other funds	15,000	(56,000)	-	(41,000)
Accounts payable	-	(313)	-	(313)
Accrued and other liabilities	790	-	-	790
Net cash used in operating activities	<u>\$ (6,723)</u>	<u>\$ (28,203)</u>	<u>\$ (22,926)</u>	<u>\$ (57,852)</u>

City of Grosse Pointe Woods, Michigan

Description of Internal Service Funds Year Ended June 30, 2007

Motor Vehicle Fund - This fund accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The actual cost of labor and materials is reimbursed to this fund by the user departments through fees.

Workers' Compensation Fund - This fund was created to identify all costs associated with operating a self-insured workers' compensation fund. Funds are accumulated via transfers from other governmental and proprietary fund types and interest made on surplus earnings.

Management Information Systems Fund - This fund accounts for the maintenance and operation of the City computer and communication network system. Funds are accumulated via transfers from other fund users.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2007

	Internal Service Funds			
	Motor Vehicle Fund	Workers' Compensation Fund	Management Information System	Total
Assets				
Current:				
Cash and cash equivalents	\$ 386,805	\$ 833,895	\$ 230	\$ 1,220,930
Accrued interest receivable	3,707	7,342	-	11,049
Total current assets	390,512	841,237	230	1,231,979
Noncurrent assets - Depreciable capital assets	1,417,235	-	35,119	1,452,354
Total assets	<u>\$ 1,807,747</u>	<u>\$ 841,237</u>	<u>\$ 35,349</u>	<u>\$ 2,684,333</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable	\$ 150,264	\$ 13,412	\$ 3,465	\$ 167,141
Accrued wages	3,828	-	-	3,828
Total current liabilities	154,092	13,412	3,465	170,969
Long-term debt - Claims reserve	-	103,596	-	103,596
Total liabilities	154,092	117,008	3,465	274,565
Net Assets				
Investment in capital assets	1,417,235	-	35,119	1,452,354
Unrestricted (deficit)	236,420	724,229	(3,235)	957,414
Total net assets	1,653,655	724,229	31,884	2,409,768
Total liabilities and net assets	<u>\$ 1,807,747</u>	<u>\$ 841,237</u>	<u>\$ 35,349</u>	<u>\$ 2,684,333</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2007

	Internal Service Funds			
	Motor Vehicle	Workers'	Management	
	Fund	Compensation	Information	
		Fund	System	Total
Operating Revenue - Revenues and billings to other funds	\$ 980,000	\$ 141,098	\$ 345,000	\$ 1,466,098
Operating Expenses				
Vehicle operation and maintenance	509,983	42,360	-	552,343
Administration	265,062	-	373,190	638,252
Depreciation	256,282	-	12,008	268,290
Insurance expense	9,879	66,920	-	76,799
Charges to Internal Service Fund	15,000	-	-	15,000
Total operating expenses	1,056,206	109,280	385,198	1,550,684
Operating Income (Loss)	(76,206)	31,818	(40,198)	(84,586)
Nonoperating Income (Expense)				
Loss from sale/disposal of capital assets	(4,504)	-	-	(4,504)
Interest income	15,459	24,394	82	39,935
Total nonoperating income	10,955	24,394	82	35,431
Income (Loss) - Before transfers	(65,251)	56,212	(40,116)	(49,155)
Transfers In	-	-	10,000	10,000
Transfers Out	-	(10,000)	-	(10,000)
Change in Net Assets	(65,251)	46,212	(30,116)	(49,155)
Net Assets - Beginning of year	1,718,906	678,017	62,000	2,458,923
Net Assets - End of year	<u>\$ 1,653,655</u>	<u>\$ 724,229</u>	<u>\$ 31,884</u>	<u>\$ 2,409,768</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2007

	Internal Service Funds			Total
	Motor Vehicle Fund	Workers' Compensation Fund	Management Information System	
Cash Flows from Operating Activities				
Receipts from customers	\$ 980,000	\$ 141,098	\$ 345,000	\$ 1,466,098
Payments to suppliers	(389,025)	(100,503)	2,770	(486,758)
Payments to employees	(265,267)	-	(373,190)	(638,457)
Other receipts	1,576	2,713	-	4,289
Net cash provided by (used in) operating activities	327,284	43,308	(25,420)	345,172
Cash Flows from Noncapital Financing Activities - Transfers from (to) other funds	-	(10,000)	10,000	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	500	-	-	500
Purchase of capital assets	(428,011)	-	-	(428,011)
Net cash used in capital and related financing activities	(427,511)	-	-	(427,511)
Cash Flows from Investing Activities - Interest received on investments	15,459	24,393	83	39,935
Net Increase (Decrease) in Cash and Cash Equivalents	(84,768)	57,701	(15,337)	(42,404)
Cash and Cash Equivalents - Beginning of year	471,573	776,194	15,567	1,263,334
Cash and Cash Equivalents - End of year	<u>\$ 386,805</u>	<u>\$ 833,895</u>	<u>\$ 230</u>	<u>\$ 1,220,930</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (76,206)	\$ 31,818	\$ (40,198)	\$ (84,586)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	256,282	-	12,008	268,290
Changes in assets and liabilities:				
Receivables	1,576	(883)	-	693
Accounts payable	145,837	-	-	145,837
Accrued and other liabilities	(205)	12,373	2,770	14,938
Net cash provided by (used in) operating activities	<u>\$ 327,284</u>	<u>\$ 43,308</u>	<u>\$ (25,420)</u>	<u>\$ 345,172</u>

City of Grosse Pointe Woods, Michigan

Description of Fiduciary Funds Year Ended June 30, 2007

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

Agency Funds - These funds account for the deposit of monies held by the City government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Pension and Other Employee Benefit Trust Funds - The City operates one retirement system, one supplemental annuity fund, and one retiree healthcare account, which are accounted for in three separate funds. These funds cover all full-time employees of the City.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Trust Funds June 30, 2007

	Pension and Other Employee Benefit Funds			
	Pension Trust	Supplementary	Retiree	
	Fund	Annuity Fund	Health Care Trust Fund	Total
Assets				
Cash and cash equivalents	\$ 1,787,888	\$ -	\$ 343,957	\$ 2,131,845
Investments:				
U.S. government securities	7,940,190	788,255	75,662	8,804,107
Corporate bonds	722,796	-	34,206	757,002
Stocks	26,041,413	-	207,023	26,248,436
Accrued interest receivable	102,313	-	1,518	103,831
Other receivables	505,320	-	-	505,320
 Total assets	 37,099,920	 788,255	 662,366	 38,550,541
 Liabilities - Accounts payable	 -	 -	 508,845	 508,845
 Net Assets Held in Trust for Pension and Other Employee Benefits	 \$ 37,099,920	 \$ 788,255	 \$ 153,521	 \$ 38,041,696

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Trust Funds Year Ended June 30, 2007

	Pension Trust Fund	Supplementary Annuity Fund	Retiree Health Care Trust Fund	Total
Additions				
Investment income:				
Interest and dividends	\$ 1,081,484	\$ 8,936	\$ 4,658	\$ 1,095,078
Net increases to fair market value	3,822,847	-	9,314	3,832,161
Less investment expenses	(316,231)	-	-	(316,231)
Total investment income	4,588,100	8,936	13,972	4,611,008
Contributions:				
Employer	1,306,228	290,000	806,500	2,402,728
Employee	293,982	-	-	293,982
Total additions	6,188,310	298,936	820,472	7,307,718
Deductions				
Employee refunds	98,749	-	-	98,749
Pension payments	2,141,044	-	-	2,141,044
Healthcare benefit payments	-	222,714	969,177	1,191,891
Administrative fee	-	5,808	10,221	16,029
Total deductions	2,239,793	228,522	979,398	3,447,713
Net Increase (Decrease)	3,948,517	70,414	(158,926)	3,860,005
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	33,151,403	717,841	312,447	34,181,691
End of year	<u>\$ 37,099,920</u>	<u>\$ 788,255</u>	<u>\$ 153,521</u>	<u>\$ 38,041,696</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Agency Funds Fiscal Year Ended June 30, 2007

	Agency Funds		
	Wayne County Tax Fund	Cash Bond Escrow Fund	Totals
Assets - Cash and cash equivalents	<u>\$ 6,996</u>	<u>\$ 15,402</u>	<u>\$ 22,398</u>
Liabilities			
Due to other governmental units	\$ 6,996	\$ -	\$ 6,996
Court bonds payable	<u>-</u>	<u>15,402</u>	<u>15,402</u>
Total liabilities	<u>\$ 6,996</u>	<u>\$ 15,402</u>	<u>\$ 22,398</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Funds Fiscal Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<u>Wayne County Tax Fund</u>				
Assets - Cash and investments	<u>\$ 3,762</u>	<u>\$ 218,829</u>	<u>\$ 215,595</u>	<u>\$ 6,996</u>
Liabilities - Due to other governmental units	<u>\$ 3,762</u>	<u>\$ 218,829</u>	<u>\$ 215,595</u>	<u>\$ 6,996</u>
<u>Cash Bond Escrow Fund</u>				
Assets - Cash and investments	<u>\$ 24,590</u>	<u>\$ 116,898</u>	<u>\$ 126,086</u>	<u>\$ 15,402</u>
Liabilities - Court bonds payable	<u>\$ 24,590</u>	<u>\$ 116,898</u>	<u>\$ 126,086</u>	<u>\$ 15,402</u>
<u>Total Agency Funds</u>				
Assets - Cash and investments	<u>\$ 28,352</u>	<u>\$ 335,727</u>	<u>\$ 341,681</u>	<u>\$ 22,398</u>
Liabilities				
Due to other governmental units	\$ 3,762	\$ 218,829	\$ 215,595	\$ 6,996
Court bonds payable	<u>24,590</u>	<u>116,898</u>	<u>126,086</u>	<u>15,402</u>
Total liabilities	<u>\$ 28,352</u>	<u>\$ 335,727</u>	<u>\$ 341,681</u>	<u>\$ 22,398</u>

Statistical Section

City of Grosse Pointe Woods, Michigan

Statistical and Continuing Disclosure Contents

Statistical Information

Statistical information contained herein relates to the physical, economic, social, and political characteristics of the City. It is designed to provide a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section.

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Continuing Disclosure

Continuing disclosure information contained herein complies with Rule 15c2-12, a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market. Municipal bonds issued after July 3, 1995 are subject to this mandatory requirement.

Continuing disclosure requires certain annual financial information and operating data, including audited financial statements for the preceding fiscal year. This information is generally consistent with the information contained or cross-referenced in the official statement relating to the bonds.

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* Indicates schedules included in statistical information that fulfill continuing disclosure requirements

City of Grosse Pointe Woods, Michigan

Financial Trend Information Net Assets by Component Last Five Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental Activities					
Invested in capital assets - Net of related debt	\$ 7,301,103	\$ 6,921,840	\$ 12,611,930	\$ 16,543,166	\$ 19,660,463
Restricted	4,267,678	6,541,005	6,368,884	4,540,093	1,935,523
Unrestricted	7,078,409	7,849,979	4,080,522	4,804,341	5,897,053
Total net assets	<u><u>\$ 18,647,190</u></u>	<u><u>\$ 21,312,824</u></u>	<u><u>\$ 23,061,336</u></u>	<u><u>\$ 25,887,600</u></u>	<u><u>\$ 27,493,039</u></u>
Business-type Activities					
Invested in capital assets - Net of related debt	\$ 11,807,253	\$ 14,781,305	\$ 16,548,499	\$ 17,634,292	\$ 17,640,281
Restricted	-	-	-	-	453,789
Unrestricted	6,871,807	3,520,495	2,298,649	1,434,870	1,524,686
Total net assets	<u><u>\$ 18,679,060</u></u>	<u><u>\$ 18,301,800</u></u>	<u><u>\$ 18,847,148</u></u>	<u><u>\$ 19,069,162</u></u>	<u><u>\$ 19,618,756</u></u>
Primary Government in Total					
Invested in capital assets - Net of related debt	\$ 19,108,356	\$ 21,703,145	\$ 29,160,429	\$ 34,177,458	\$ 37,300,744
Restricted	4,267,678	6,541,005	6,368,884	4,540,093	2,389,312
Unrestricted	13,950,216	11,370,474	6,379,171	6,239,211	7,421,739
Total net assets	<u><u>\$ 37,326,250</u></u>	<u><u>\$ 39,614,624</u></u>	<u><u>\$ 41,908,484</u></u>	<u><u>\$ 44,956,762</u></u>	<u><u>\$ 47,111,795</u></u>

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

Financial Trend Information Changes in Governmental Net Assets Last Four Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year				
	2003 *	2004	2005	2006	2007
Expenses - Governmental activities					
General government	\$ 2,068,634	\$ 2,025,228	\$ 2,960,392	\$ 1,743,401	\$ 1,819,279
Municipal court	240,920	313,281	399,726	382,120	402,779
Police, fire, and EMS	4,430,143	4,933,399	5,445,354	5,426,841	6,506,973
Building inspections and related	-	226,857	221,821	243,308	268,031
Legislature	137,555	124,418	157,683	126,924	108,343
Rubbish disposal	1,210,320	1,226,878	1,460,884	1,352,824	1,390,686
Street lighting	-	522,465	528,829	539,815	535,207
Other public works activities	3,584,922	3,176,634	2,650,533	3,994,123	3,543,532
Municipal improvement	159,066	72,408	44,676	30,127	196,696
Recreation and culture	1,523,565	1,610,864	1,872,760	2,014,389	2,386,985
Interest on long-term debt	450,019	396,661	283,417	271,234	207,182
Total expenses - Governmental activities	13,805,144	14,629,093	16,026,075	16,125,106	17,365,693
Program Revenues					
Charges for services:					
Municipal court	866,321	595,207	717,903	876,197	768,596
Building inspections and related	397,506	227,939	154,376	276,150	-
Recreation and culture	149,528	148,756	135,335	150,630	158,763
Other activities	552,563	1,499,491	1,743,905	1,326,003	509,323
Total charges for services	1,965,918	2,471,393	2,751,519	2,628,980	1,436,682
Operating grants and contributions	188,188	77,979	81,447	41,464	1,011,171
Total program revenues	2,154,106	2,549,372	2,832,966	2,670,444	2,447,853
Net Expense	(11,651,038)	(12,079,721)	(13,193,109)	(13,454,662)	(14,917,840)
General Revenues					
Property taxes	11,963,222	12,285,813	12,742,873	14,083,603	15,181,945
State-shared revenues	2,734,619	2,607,456	2,594,918	2,608,124	1,682,742
Investment earnings	712,300	438,694	219,518	246,448	238,139
Donations	-	91,413	139,312	97,251	-
Franchise fees	-	-	-	-	230,453
Transfers	(750,000)	(754,000)	(754,000)	(754,500)	(810,000)
Total general revenues	14,660,141	14,669,376	14,942,621	16,280,926	16,523,279
Change in Net Assets	\$ 3,009,103	\$ 2,589,655	\$ 1,749,512	\$ 2,826,264	\$ 1,605,439

* Consolidated amounts reported in FY 2003

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

	Fiscal Year				
	1998	1999	2000	2001	2002
Operating Revenue					
Sale of water/sewer charges	\$ 3,618,584	\$ 4,185,785	\$ 4,248,401	\$ 3,631,461	\$ 3,811,760
Interest and penalty charges	41,504	37,771	34,289	33,694	37,381
Docking fees	150,053	161,545	150,333	166,358	178,948
Other charges for services	465,712	483,516	501,205	663,150	495,242
Total operating revenue	4,275,853	4,868,617	4,934,228	4,494,663	4,523,331
Operating Expenses					
Cost of sewage treatment	2,000,741	1,814,357	1,586,179	2,013,316	1,783,324
Administration	667,491	635,286	503,128	436,531	566,209
Other operating and maintenance costs	411,117	481,817	549,778	860,400	564,892
Billing and administration costs	355,000	355,000	331,000	331,000	331,000
Depreciation	336,646	359,025	387,914	445,180	492,025
Total operating expenses	3,770,995	3,645,485	3,357,999	4,086,427	3,737,450
Operating Income	504,858	1,223,132	1,576,229	408,236	785,881
Nonoperating Revenue (Expenses)					
Investment income	138,848	131,051	142,317	163,141	80,872
Interest expense	(48,792)	(64,800)	(59,313)	(80,196)	(116,671)
Total nonoperating revenue (expenses)	90,056	66,251	83,004	82,945	(35,799)
Income (Loss) - Before contributions	594,914	1,289,383	1,659,233	491,181	750,082
Capital Contributions From Grants	-	-	-	-	-
Transfers in	-	-	-	-	-
Charges from ISF	(181,500)	(232,000)	(333,000)	(335,000)	(308,000)
Change in Net Assets	<u>\$ 413,414</u>	<u>\$ 1,057,383</u>	<u>\$ 1,326,233</u>	<u>\$ 156,181</u>	<u>\$ 442,082</u>

Source: City annual financial statements

Financial Trend Information
Changes in Business-type Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year				
2003	2004	2005	2006	2007
\$ 4,043,562	\$ 3,915,305	\$ 4,266,500	\$ 4,353,731	\$ 4,696,657
37,547	36,831	39,607	43,124	-
177,707	178,704	171,859	173,153	164,601
433,451	472,337	645,352	498,563	318,662
4,692,267	4,603,177	5,123,318	5,068,571	5,179,920
2,340,105	2,457,071	2,547,816	2,897,187	2,860,367
924,289	1,151,719	701,706	678,827	767,298
751,823	804,381	721,978	663,009	579,364
316,000	326,000	300,000	300,000	275,000
512,515	561,880	604,018	636,923	658,063
4,844,732	5,301,051	4,875,518	5,175,946	5,140,092
(152,465)	(697,874)	247,800	(107,375)	39,828
45,380	69,055	24,481	42,555	53,417
(85,939)	(210,941)	(196,933)	(186,296)	(172,524)
(40,559)	(141,886)	(172,452)	(143,741)	(119,107)
(193,024)	(839,760)	75,348	(251,116)	(79,279)
-	-	-	-	125,373
750,000	754,000	754,000	754,500	810,000
(245,000)	(291,500)	(284,000)	(282,000)	(306,500)
<u>\$ 311,976</u>	<u>\$ (377,260)</u>	<u>\$ 545,348</u>	<u>\$ 221,384</u>	<u>\$ 549,594</u>

City of Grosse Pointe Woods, Michigan

	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	4,326,818	4,640,450	4,543,928	4,707,884
Total General Fund	\$ -	\$ 4,326,818	\$ 4,640,450	\$ 4,543,928	\$ 4,707,884
All Other Governmental Funds					
Designated	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	2,557,346	1,579,663	1,486,174	1,504,590
Unreserved, reported in:					
Special Revenue Funds	-	761,262	1,775,810	2,286,206	2,033,723
Capital Project Funds	-	-	-	-	-
Debt Service Funds	-	3,418	4,252	1,036	563
Total General Fund and all other governmental funds	\$ 12,121,573	\$ 7,648,844	\$ 8,000,175	\$ 8,317,344	\$ 8,246,760

(1)

Source: City annual financial statements

(1) - Detailed information unavailable

Financial Trend Information
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year				
2003	2004	2005	2006	2007
\$ -	\$ -	\$ -	\$ -	\$ 500,000
4,803,828	4,887,262	4,889,093	4,674,366	2,862,514
\$ 4,803,828	\$ 4,887,262	\$ 4,889,093	\$ 4,674,366	\$ 3,362,514
\$ -	\$ -	\$ -	\$ -	\$ 352,247
4,267,678	5,884,353	4,113,798	4,040,089	-
1,601,160	2,842,700	1,317,011	674,931	3,395,765
239,997	229,333	138,075	-	50,033
4,207	-	-	-	970,061
\$ 10,916,870	\$ 13,843,648	\$ 10,457,977	\$ 9,389,386	\$ 8,130,620

City of Grosse Pointe Woods, Michigan

	Fiscal Year			
	1998	1999	2000	2001
Revenue				
Property taxes	\$ 10,273,831	\$ 10,730,980	\$ 10,608,265	\$ 10,770,906
State and local sources	843,007	858,392	901,267	897,078
Intergovernmental taxes	1,954,483	2,413,386	2,162,019	2,107,637
Delinquent interest and collection fee income	284,310	250,914	238,503	253,713
Federal financial assistance	54,429	36,000	34,000	34,000
Other revenue	2,914,786	2,554,844	2,450,759	2,387,762
Investment income	-	-	-	-
Donations	27,858	58,692	70,229	160,966
Total revenue	16,352,704	16,903,208	16,465,042	16,612,062
Expenditures				
Current:				
General government	1,290,693	1,561,042	1,727,984	1,728,964
Public safety	4,248,731	4,470,085	4,318,488	4,509,338
Public works	801,295	797,149	797,303	847,871
Recreation and culture	962,587	1,159,886	1,265,700	1,431,515
Miscellaneous	4,805,138	5,952,393	4,002,248	4,915,174
Capital outlay	1,379,389	1,772,326	1,611,614	420,796
Debt administration	1,841,713	2,212,544	1,833,856	1,823,456
Total expenditures	15,329,546	17,925,425	15,557,193	15,677,114
Excess of Revenue Over (Under) Expenditures	1,023,158	(1,022,217)	907,849	934,948
Other Financing Sources (Uses)				
Debt issuance	-	-	-	200,530
Transfers in	3,176,880	3,068,200	3,485,200	3,513,844
Transfers out	(3,926,580)	(3,554,200)	(4,015,200)	(4,185,844)
Total other financing sources (uses)	(749,700)	(486,000)	(530,000)	(471,470)
Net Change in Fund Balances	273,458	(1,508,217)	377,849	463,478
Fund Balances - Beginning of year	11,848,115	12,121,573	10,613,357	10,991,206
Fund Balances - End of year	\$ 12,121,573	\$ 10,613,356	\$ 10,991,206	\$ 11,454,684
Debt service as a percentage of noncapital expenditures	13.20%	13.70%	13.15%	11.95%

Source: City annual financial statements

Financial Trend Information
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 11,356,910	\$ 11,963,222	\$ 12,285,813	\$ 12,742,873	\$ 14,083,603	\$ 14,727,101
884,297	2,734,619	2,607,456	2,594,914	2,608,124	2,565,900
1,956,485	-	-	-	-	-
256,514	262,194	276,548	306,283	325,632	350,413
34,000	96,953	32,000	81,447	41,464	20,564
2,162,675	2,416,024	2,593,351	2,445,239	2,303,348	1,929,902
-	-	162,146	219,518	246,448	238,678
87,974	91,235	91,413	139,312	97,251	-
16,738,855	17,564,247	18,048,727	18,529,586	19,705,870	19,832,558
1,900,793	2,016,549	2,187,028	2,253,072	2,342,482	3,013,153
4,519,666	4,605,798	4,661,117	4,988,001	5,408,713	5,042,765
761,797	834,981	822,600	816,472	875,237	906,530
1,494,075	1,523,565	1,610,864	1,635,410	1,750,909	2,936,496
5,588,980	5,993,123	5,284,069	7,307,338	7,526,139	7,800,076
307,995	250,473	263,374	283,238	393,476	196,696
1,885,755	1,700,366	1,713,897	3,867,764	1,677,506	1,710,606
16,459,061	16,924,855	16,542,949	21,151,295	19,974,462	21,606,322
279,794	639,392	1,505,778	(2,621,709)	(268,592)	(1,773,764)
-	-	2,175,000	-	-	1,325,000
3,379,452	3,186,303	3,334,690	3,461,978	4,102,869	5,091,500
(4,086,452)	(3,936,303)	(4,088,690)	(4,225,940)	(4,902,869)	(5,901,500)
(707,000)	(750,000)	1,421,000	(763,962)	(800,000)	515,000
(427,206)	(110,608)	2,926,778	(3,385,671)	(1,068,592)	(1,258,764)
11,454,684	11,027,478	10,916,870	13,843,647	10,457,976	9,389,384
\$ 11,027,478	\$ 10,916,870	\$ 13,843,648	\$ 10,457,976	\$ 9,389,384	\$ 8,130,620
11.68%	10.20%	10.53%	18.53%	8.57%	7.99%

City of Grosse Pointe Woods, Michigan

Revenue Capacity Information Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30	Property Tax Levy	Current Tax Collections	Percent Collected Current	Delinquent Tax Collections by Levy Year	Total Tax Collections	Percent of Total Collections to Levy
1998	\$ 10,264,723	\$ 10,042,530	97.84	\$ 194,571	\$ 10,237,101	99.73
1999	10,722,536	10,505,981	97.98	210,434	10,716,415	99.94
2000	10,599,924	10,426,402	98.36	206,095	10,632,497	100.31
2001	10,798,626	10,587,355	98.04	173,522	10,760,877	99.65
2002	11,349,250	11,109,277	97.89	211,107	11,320,384	99.75
2003	11,964,385	11,698,095	97.77	218,692	11,916,787	99.60
2004	12,379,468	12,124,901	97.94	266,290	12,391,191	100.09
2005	12,740,052	12,423,359	97.51	274,573	12,697,932	99.67
2006	14,033,157	13,660,396	97.34	323,441	13,983,837	99.65
2007	14,443,049	13,923,377	96.40	316,822	14,240,199	98.60

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Revenue Capacity Information Assessed Value and Actual Value of Taxable Property Last Ten Years

Taxable Value by Property Type (I)								Taxable Value as a Percent of Total
Real Property								
Tax Year	Residential	Commercial	Industrial	Personal	Total Value	Tax Rate (Mills)	Estimated Actual Value	
1998	\$ 561,084,770	\$ 36,559,750	\$ 74,150	\$ 12,174,960	\$ 589,917,990	17.3528	\$ 1,213,551,200	48.61%
1999	578,605,810	38,546,240	75,330	12,392,215	610,299,625	16.7781	1,305,570,210	46.75%
2000	600,228,640	38,778,610	76,760	13,159,500	630,386,880	16.1771	1,427,690,760	44.15%
2001	631,897,260	40,995,150	79,210	13,525,090	652,775,780	15.9601	1,587,632,780	41.12%
2002	884,043,630	56,054,000	100,800	14,554,200	722,061,149	15.9324	1,909,505,260	37.81%
2003	900,917,728	58,588,300	104,000	15,204,870	747,023,290	16.0301	1,949,629,796	38.32%
2004	926,166,500	59,918,650	105,300	17,757,800	778,377,290	15.8159	2,007,896,500	38.77%
2005	943,491,400	65,834,100	110,100	19,677,000	813,304,250	17.2597	2,058,225,200	39.51%
2006	937,491,730	70,116,000	114,500	15,270,200	838,542,390	17.2368	2,045,984,860	40.98%
2007	935,577,570	74,871,700	118,200	16,723,700	867,467,911	17.2368	2,054,582,340	42.22%

(1) Under Michigan law, the revenue base is referred to as "taxable value." This amount represents assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation.

Taxes levied in a particular "tax year" become revenues in the subsequent fiscal year.

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Millage Rates - Direct City Taxes (1)							Overlapping	
Tax Year	General Operating	Voted EMS	Voted Park Bond	Statutory Solid Waste	Ch 20/21 Milk River Drain	Total Direct Taxes	County	H.C.M.A.
1998	9.1358	0.5000	0.6031	2.2995	4.8144	17.3528	8.2600	0.2200
1999	9.1311	0.5000	0.6045	2.1625	4.3800	16.7781	8.2600	0.2200
2000	9.2752	0.4996	0.5839	2.0384	3.7800	16.1771	8.2400	0.2200
2001	9.1892	0.4986	0.6688	2.0935	3.5100	15.9601	8.1800	0.2200
2002	9.2010	0.4980	0.6555	2.1179	3.4600	15.9324	8.1900	0.2200
2003	9.2306	0.4551	0.6559	2.1485	3.5400	16.0301	8.4200	0.2161
2004	9.3983	0.4526	0.6710	1.9280	3.3660	15.8159	8.4200	0.2154
2005	10.2108	0.3690	0.5656	1.8443	4.2700	17.2597	8.4200	0.2146
2006	10.1847	0.3578	0.5665	1.8807	4.2471	17.2368	8.4120	0.2146
2007	10.1847	0.3578	0.5665	1.8807	4.2471	17.2368	8.4120	0.2146

(1) Includes general operating, public safety, recreation, and culture

(2) Previously termed homestead and nonhomestead

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents as follows:

2006	15.0469	0.4476	0.6100	2.6859	n/a
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Source: Comptroller's office

Revenue Capacity Information
Direct and Overlapping Property Tax Rates
Last Ten Years

Taxes					Total Tax Rate (2)	
Community College	Grosse Pointe Library	Intermediate School District	School District Principal	School District Nonprincipal	Principal	Non- principal
1.1500	1.1400	2.0000	13.9500	24.0000	44.0728	54.1228
1.1500	1.1400	2.0000	13.7765	24.0000	43.3246	53.5481
1.0000	1.5000	1.9789	13.4234	23.8236	42.5394	52.9396
2.4995	1.6321	1.9753	13.1340	23.4207	43.6010	53.8877
2.4862	1.6074	3.4643	13.7291	24.2632	45.6294	56.1635
2.4862	1.5829	3.4643	13.0431	23.3187	45.2427	55.5183
2.4844	1.5000	3.4643	14.8384	25.1152	46.7384	57.0152
2.4769	1.5000	3.4643	14.5498	26.2851	47.8853	59.6206
2.4769	1.5413	3.4643	14.5498	26.2851	47.8957	59.6310
2.4769	1.5412	3.4643	14.5498	26.2851	47.8956	59.6309

City of Grosse Pointe Woods, Michigan

Revenue Capacity Information Principal Property Taxpayers (Major Taxpayers) Current Year and Nine Years Ago

Taxpayer	Type of Business	2006 Taxable Value	Percentage of Total	1997 Taxable Value	Percentage of Total	1997 Rank (1)
1 Sunrise of Grosse Pointe Woods	Assisted Living	\$ 5,992,520	0.74	\$ -	-	-
2 Lochmoor Club	Private Club	5,006,830	0.62	3,537,530	0.60	1
3 Pointe Plaza	Office Bldg	4,208,970	0.52	3,296,280	0.56	3
4 Detroit Edison	Utility	3,423,370	0.42	3,521,290	0.60	2
5 Great Atlantic & Pacific Tea	Grocery	3,095,910	0.38	-	-	n/a
6 Colliers International	Rental	3,018,010	0.37	-	-	n/a
7 Michigan Cons. Gas Co.	Utility	1,881,500	0.23	2,729,890	0.46	4
8 St. John Hospital	Hospital	1,441,000	0.18	1,035,530	0.18	7
9 Grosse Pointe Hunt Club	Private Club	1,404,370	0.17	992,440	0.17	8
10 A H Peters Funeral Home	Mortuary	1,314,030	0.16	1,071,820	0.00	6
Total		\$ 30,786,510	3.79	\$ 16,184,780	2.57	
Total City Taxable Value		\$ 813,191,810		\$ 589,917,990		

(1) A complete rank of top ten taxpayers in 1997 is unavailable

Source: City of Grosse Pointe Woods Assessing Department records

City of Grosse Pointe Woods, Michigan

	1998	1999	2000	2001
Governmental Activities				
General obligation bonds (GOB)	\$ 4,620,000	\$ 4,270,000	\$ 3,890,000	\$ 3,475,000
GOB installment note	-	-	-	200,530
GOB contract - Wayne County Drain	<u>15,424,431</u>	<u>14,580,458</u>	<u>13,476,337</u>	<u>12,605,139</u>
Total	20,044,431	18,850,458	17,366,337	16,280,669
Business-type Activities				
Installment purchase agreements	42,433	-	-	1,409,470
Revenue bonds	<u>1,630,000</u>	<u>1,475,000</u>	<u>1,325,000</u>	<u>1,155,000</u>
Total	<u>1,672,433</u>	<u>1,475,000</u>	<u>1,325,000</u>	<u>2,564,470</u>
Total debt of the government	<u>\$ 21,716,864</u>	<u>\$ 20,325,458</u>	<u>\$ 18,691,337</u>	<u>\$ 18,845,139</u>
Total taxable value	\$ 589,917,990	\$ 610,299,625	\$ 630,386,880	\$ 652,775,780
Ratio of total debt to taxable value	3.68%	3.33%	2.97%	2.89%
Total population	17,715	17,715	17,215	17,080
Total debt per capita	\$ 1,226	\$ 1,147	\$ 1,086	\$ 1,103

Debt Capacity Information
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

2002	2003	2004	2005	2006	2007
\$ 3,025,000	\$ 2,745,000	\$ 4,610,000	\$ 2,155,000	\$ 1,750,000	\$ 1,320,000
158,182	107,182	55,426	-	-	1,325,000
<u>11,709,741</u>	<u>10,784,094</u>	<u>9,834,246</u>	<u>8,860,199</u>	<u>7,858,927</u>	<u>6,830,430</u>
14,892,923	13,636,276	14,499,672	11,015,199	9,608,927	9,475,430
1,111,818	757,262	389,574	-	-	-
<u>985,000</u>	<u>6,095,000</u>	<u>5,910,000</u>	<u>5,705,000</u>	<u>5,510,000</u>	<u>5,300,000</u>
<u>2,096,818</u>	<u>6,852,262</u>	<u>6,299,574</u>	<u>5,705,000</u>	<u>5,510,000</u>	<u>5,300,000</u>
<u>\$ 16,989,741</u>	<u>\$ 20,488,538</u>	<u>\$ 20,799,246</u>	<u>\$ 16,720,199</u>	<u>\$ 15,118,927</u>	<u>\$ 14,775,430</u>
\$ 722,061,149	\$ 747,023,290	\$ 778,377,290	\$ 813,304,250	\$ 838,542,390	\$ 867,467,911
2.35%	2.74%	2.67%	2.06%	1.80%	1.70%
17,080	17,080	17,080	17,080	17,080	17,080
\$ 995	\$ 1,200	\$ 1,218	\$ 979	\$ 885	\$ 865

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Pledged-revenue Coverage Last Ten Fiscal Years

Debt Service Requirements (3)							
Fiscal Years Ended June 30	Gross Revenues (1)	Applicable Expenses (2)	Net Revenues	Principal	Interest	Total	Coverage
1998	\$ 3,676,761	\$ 3,097,018	\$ 579,743	\$ 155,969	\$ 48,792	\$ 204,761	2.83
1999	4,287,752	2,948,960	1,338,792	129,719	64,800	194,519	6.88
2000	4,355,092	2,728,037	1,627,055	150,000	59,313	209,313	7.77
2001	3,885,071	3,299,632	585,439	170,000	80,916	250,916	2.33
2002	3,830,999	2,988,262	842,737	467,652	116,671	584,323	1.44
2003	4,112,139	4,079,550	32,589	544,556	85,940	630,496	0.05 (4)
2004	4,007,523	4,413,105	(405,582)	552,688	210,941	763,629	- (4)
2005	4,523,148	4,463,250	59,898	205,000	196,933	401,933	0.15 (4)
2006	4,558,523	4,255,169	303,354	195,000	186,296	381,296	0.80 (4)
2007	4,696,657	4,788,529	(91,872)	210,000	52,789	262,789	(0)

Notes

- (1) Exclusive of nonoperating revenues
- (2) Exclusive of depreciation charges and nonoperating expenditures
- (3) Includes principal and interest of revenue bonds only
- (4) The Water/Sewer Fund had operating transfers in of \$770,000, which increase the amount available for debt service.

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Ratios of General Bonded Debt Outstanding Last Ten Years

Fiscal Years Ended June 30	Population Per Federal Census	Adjusted Taxable Equalized Valuation	General Obligation Bonds Outstanding	Percent Debt to Assessed Value	Debt Per Capita
1998	17,715	\$ 589,917,990	\$ 20,044,431	3.40%	\$ 1,131
1999	17,715	610,299,625	18,850,458	3.09%	1,064
2000	17,215	630,386,880	17,366,337	2.75%	1,009
2001	17,080 (1)	652,775,780	16,280,669	2.49%	953
2002	17,080	722,061,149	14,892,924	2.06%	872
2003	17,080	747,023,290	13,636,276	1.83%	798
2004	17,080	778,377,290	14,499,672	1.86%	849
2005	17,080	813,304,250	11,015,199	1.35%	645
2006	17,080	838,542,390	9,608,927	1.15%	563
2007	17,080	867,467,911	9,475,430 (2)	1.09%	555

Source: Comptroller's Office

(1) Based upon 2000 federal census

(2) 2003 recreation funding	\$ 1,320,000
Installment note	1,325,000
County contractual	6,830,430
Total	<u>\$ 9,475,430</u>

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Direct and Overlapping Debt June 30, 2007

	Debt Outstanding	Percent Applicable to City	Estimated Share of Overlapping Debt
Direct debt, general obligation debt	\$ 2,645,000	100.00	\$ 2,645,000
Overlapping debt:			
Grosse Pointe Public Library	17,900,000	27.00	4,833,000
Grosse Pointe Public Schools	62,470,000	27.00	16,866,900
County of Wayne Building Authority and Debt Fund	92,441,826	2.00	1,848,837
Wayne County Community College	50,100,000	3.00	1,503,000
Total overlapping debt	222,911,826		25,051,737
Total direct and overlapping debt	\$ 225,556,826		\$ 27,696,737

Source: Municipal Advisory Council of Michigan

City of Grosse Pointe Woods, Michigan

	1998	1999	2000	2001
Calculation of Debt Limit (1)				
Taxable valuation	\$ 589,917,990	\$ 610,299,625	\$ 630,386,880	\$ 652,775,780
Debt limit (10% of equalized value)	58,991,799	61,029,963	63,038,688	65,277,578
Calculation of Debt Subject to Limit				
Total debt	21,986,864	20,565,458	18,896,337	19,015,139
Less Debt Not Subject to Charter Limitations				
Michigan Transportation Fund Bonds	690,000	535,000	370,000	190,000
Water and Sewer Revenue Bonds 1993	1,604,718	1,475,000	1,325,000	1,155,000
Grosse-Gratiot Drain/Milk River Debt	15,424,431	14,580,458	13,476,337	12,605,139
Water/Sewer Installment Note	-	-	-	-
Water/Sewer Revenue Bonds 2003	-	-	-	1,409,470
Total debt not subject to Charter limitations	17,719,149	16,590,458	15,171,337	15,359,609
Total net debt (2)	4,267,715	3,975,000	3,725,000	3,655,530
Legal debt margin	<u>\$ 54,724,084</u>	<u>\$ 57,054,963</u>	<u>\$ 59,313,688</u>	<u>\$ 61,622,048</u>
Net debt subject to limit as percentage of debt limit	7.80%	6.97%	6.28%	5.93%

(1) The legal debt limit continues to be derived from State Equalized Value (SEV), not Taxable Value (TV).

(2) Amount does not include water and sewer and county contractual obligations.

Source: Comptroller's Office

Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years

2002	2003	2004	2005	2006	2007
\$ 687,858,080	\$ 723,570,576	\$ 747,023,290	\$ 778,377,290	\$ 813,304,250	\$ 867,467,911
68,785,808	72,357,058	74,702,329	77,837,729	81,330,425	86,746,791
17,119,741	20,578,538	20,844,246	16,720,199	15,118,927	14,775,430
-	-	-	-	-	-
985,000	795,000	610,000	405,000	210,000	-
11,709,742	10,784,094	9,834,247	8,860,199	7,858,927	6,830,430
-	757,262	389,574	-	-	-
<u>1,111,818</u>	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>
<u>13,806,560</u>	<u>17,636,356</u>	<u>16,133,821</u>	<u>14,565,199</u>	<u>13,368,927</u>	<u>12,130,430</u>
<u>3,313,181</u>	<u>2,942,182</u>	<u>4,710,425</u>	<u>2,155,000</u>	<u>1,750,000</u>	<u>2,645,000</u>
<u>\$ 65,472,627</u>	<u>\$ 69,414,876</u>	<u>\$ 69,991,904</u>	<u>\$ 75,682,729</u>	<u>\$ 79,580,425</u>	<u>\$ 84,101,791</u>
5.06%	4.24%	6.73%	2.85%	2.20%	3.14%

City of Grosse Pointe Woods, Michigan

Demographic and Economic Information Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Estimated Number of Households	Per Capita Personal Income	Median Age	Unemployment Rate	School Enrollment
1998	18,200	(5)	(5)	\$ 20,600	(5)	1.00%	8,644
1999	18,200	(5)	(5)	21,000	(5)	1.20%	8,666
2000	18,215	(5)	(2)	49,200 (1)	(2)	1.10%	8,708
2001	17,080 (2)	(5)	(5)	30,050	(5)	1.25%	8,873
2002	17,080	(5)	(5)	38,653	(5)	1.50%	8,900 (3)
2003	17,080	(5)	(5)	42,364	(5)	1.40%	8,900 (3)
2004	17,080	(5)	(5)	43,600	(5)	1.50%	9,182
2005	17,080	(5)	(5)	44,720	(5)	1.74%	8,986
2006	17,080	(5)	(4)	46,151	(4)	3.26%	8,912
2007	16,437 (1)	(5)	6,420	(5)	(5)	4.60%	8,873

(1) Information obtained from SEMCOG

(2) 2000 population from U.S. Census

(3) Estimate

(4) 2005 Census Department - American Community Survey Data Profile Review

(5) Information not available

City of Grosse Pointe Woods, Michigan

Demographic and Economic Information Principal Employers

Taxpayer	Enterprise	2007 Employees	1998 Employees	1998 Rank
1 Van Elslander Center	Medical	5,000	(1)	(1)
2 Kroger Co. of Michigan	Market	200	(1)	(1)
3 Children's Home of Detroit	Child Care	140	(1)	(1)
4 University of Liggett	School	128	(1)	(1)
5 St. John Inf. & Human Resources	Medical Business	100	(1)	(1)
6 Lochmoor Club	Country Club	100	(1)	(1)
7 City of Grosse Pointe Woods	Municipal	98	(1)	(1)
8 Grosse Pointe Hunt Club	Private Club	80	(1)	(1)
9 Great Lakes Cancer Mgt Specialist	Medical	65	(1)	(1)
10 Big Boy-Curis Restaurant Group	Restaurant	60	(1)	(1)

(1) Data from nine years earlier is not readily available

Source: City Business License Registry

City of Grosse Pointe Woods, Michigan

Operating Information Full-time Equivalent Government Employees by Function (1) Last Ten Fiscal Years

Department	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Percent of Total for 2007
Supervisor/Assessing	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	3	3	3
Clerk's Office	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	3	3	3
Treasurer's Office	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	6	5	5
Municipal Court	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	3	3	3
Information Systems	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2	2	2
Building	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	3	3	3
Parks and Recreation	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	4	4	4
Public Safety	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	52	54	53
Public Works	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	27	25	24
Total	-	-	-	-	-	-	-	-	103	102	99

(1) Full-time employees reported only, data are not available for equivalent part-time positions.

(2) Data not available

Source: City personnel records

City of Grosse Pointe Woods, Michigan

Function/Program	1997	1998	1999	2000	2001
Public safety (calendar year Jan 1-Dec 31):					
Police physical arrests	722	700	714	620	518
Police traffic violations	9407	9,991	8,216	4,357	5,817
Fire runs	78	97	125	86	84
Fire actual fires	19	24	21	27	24
Fire basic ambulance runs	415	386	385	404	443
Fire Advance Life Support ambulance runs	227	280	189	173	145
Fire inspections	Fire inspections were not reported separately during calendar years 1997-2001				
Parks and recreation (estimated):					
Recreation programs - Lake Front Park	(1)	235	236	239	242
Community center programs	(1)	26	24	23	24
Water:					
New connections (calendar year Jan 1 - Dec 31)	-	-	3	2	19
Water main breaks					
Total consumption (billed - HCF)	890,120	915,569	1,017,854	979,385	860,965
Average annual consumption					

(1) Information not available

(2) Information not applicable, as function reports operating indicators on a calendar year

Source: City Departmental Operational Reports

Operating Information
Operating Indicators by Function
Last Ten Fiscal Years

2002	2003	2004	2005	2006	2007
583	542	477	770	478	(2)
7,056	5,183	5,857	6,045	2,887	(2)
81	79	77	80	39	(2)
12	12	8	16	4	(2)
418	439	481	466	466	(2)
206	197	193	263	169	(2)
84	97	53	53	66	(2)
238	265	345	338	428	388
24	24	22	22	24	24
2	2	5	5	3	5
950,135	990,645	954,848	920,271	1,006,841	887,693

City of Grosse Pointe Woods, Michigan

Operating Information Capital Asset Statistics by Function

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	8	8	8	8
Fire trucks	3	3	3	3	3	3	3	3	3	3
Ambulances	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Acreage	92	92	92	92	92	92	92	92	92	92
Playgrounds	4	5	5	5	5	5	5	5	5	5
Soccer fields	2	2	2	2	2	2	2	2	2	2
Baseball/Softball diamonds	5	5	5	5	5	5	5	5	5	5
Water:										
Mains (miles)	60	60	60	60	60	60	60	60	60	63
Fire hydrants	603	603	603	603	603	603	603	603	603	606
Sewer - Miles of sanitary sewers	75	75	75	75	75	75	75	75	75	78

Source: Departmental annual reports

City of Grosse Pointe Woods, Michigan

Continuing Disclosure State-shared Revenues Last Ten Fiscal Years

<u>Fiscal Years Ended</u>	<u>Modified Accrual and Accrual Basis of Accounting</u>
1998	\$ 1,954,483
1999	2,413,385
2000	2,162,019
2001	2,107,637
2002	1,956,485
2003	1,842,388
2004	1,656,709
2005	1,655,968
2006	1,682,170
2007	1,570,567

Source: Comptroller's office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Gas and Weight Taxes Last Ten Fiscal Years

Fiscal Years Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major	Local	
1998	\$ 571,207	\$ 271,800	\$ 843,007
1999	610,843	247,549	858,392
2000	641,120	260,147	901,267
2001	638,177	258,901	897,078
2002	628,429	255,868	884,297
2003	633,886	258,345	892,231
2004	675,278	275,469	950,747
2005	665,770	273,506	939,276
2006	656,119	269,835	925,954
2007	700,767	288,920	989,687

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Labor Agreements June 30, 2007

Bargaining Unit	Expiration Date	Number of Employees
Police Officers Association of Michigan Represents police officers	6/30/2007	28
Command Officers Association of Michigan Represents police corporals, sergeants, and lieutenants	6/30/2006	10
Police Officers Labor Council Represents all paramedics/fire specialists and dispatchers	6/30/2007	10
The American Federation of State, County, and Municipal Employees AFL-CIO Represents clerical, public works employees, building, and ordinance officers	6/30/2007	29
Nonunion Employees		
City Administrator	N/A	1
Executive Assistant	N/A	1
City Assessor	N/A	1
Deputy City Assessor	N/A	1
Comptroller/Treasurer	N/A	Vacant
Deputy Treasurer/Human Resource Coordinator	N/A	1
Assistant to the Comptroller	N/A	1
Utility Billing Manager	N/A	1
City Clerk	N/A	1
Assistant to the City Clerk	N/A	Vacant
Public Safety Director	N/A	1
Deputy Public Safety Director	N/A	1
Court Clerk	N/A	1
Probation Officer	N/A	1
Information Technology Manager	N/A	1
Information Systems Technician	N/A	1
Building Official	N/A	1
Director of Public Works	N/A	1
Public Works Superintendent	N/A	1
Foreman	N/A	2
Facilities Manager	N/A	1
Community Center Supervisor	N/A	1
Recreation Supervisor	N/A	1
Confidential Administrative Assistant	N/A	3



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November 8, 2007

To the Honorable Mayor and City Council
City of Grosse Pointe Woods, Michigan
20025 Mack Plaza
Grosse Pointe Woods, MI 48236

Dear Mayor and City Council Members:

We have recently completed our first audit of the basic financial statements of the City of Grosse Pointe Woods for the year ended June 30, 2007. We would like to thank the mayor and City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. In addition to our audit report, we offer the following comments and recommendations for your consideration:

Report on Internal Control

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful to you in your oversight of the City's financial management. Specifically, they require us to report internal control issues to you that meet certain thresholds as described below, but may also be relatively minor, in order to allow you to evaluate their significance and make any changes you may deem appropriate. The purpose of these new standards is to allow you an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this new communication will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues. As a point of reference, our experience indicates that a first year audit client of Plante & Moran typically results in an increased level of required audit communications. Furthermore, we believe that some of the items noted within this letter were the byproduct of the recent transition in the City's financial services department.

In planning and performing our audit of the basic financial statements of the City of Grosse Pointe Woods for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.



Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- **Long-term Debt Escrow** - In 2006, the City received a payment of approximately \$210,000 from Bank of New York from excess funds contained in an escrow account related to a 1993 Water Revenue Bond issue, which had been fully extinguished during the current year. The amounts contained in this escrow account likely initiated as a result of certain financial covenants related to the original revenue bond issue. The amount received by the City was not previously reported as a cash account within the Water and Sewer Fund. Thus, the previous cash balances reported for the Water and Sewer Fund were understated by this amount. We recommend that the City implement a process to ensure all escrow cash accounts are recorded on the general ledger. The 2003 Revenue Bond escrow account was recorded appropriately in the general ledger.
- **Construction Contracts** - Due to the long-term nature of construction projects and the non-systematic billings frequently prepared by contractors, accounting for balances payable on construction projects frequently requires advanced analysis. As a result of our review of the City's construction related activity, we initiated journal entries to adjust the accounts payable, retainage payable, and construction related interfund balances of the Major Streets Fund, Local Streets Fund, and General Fund. We recommend that the City develop a systematic approach to determining the balances and transfers due related to on-going construction projects in order to properly record these balances at year end.
- **Accrual Adjustments** - During the audit, Plante & Moran proposed and made adjustments to balances recorded in accrued interest receivable, ACT 51 receivable, accrued interest payable, and fixed asset depreciation. Plante & Moran also proposed adjustments to compensated absences that the City will post to the general ledger in fiscal year 2007-2008. While in certain instances, the City's detailed calculation reflected the proper balances in these accounts, the general ledger balances related to these accounts were not properly adjusted.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following items to be significant deficiencies:

- **Debt Proceeds** - During the current year, the City opened a new bank account in order to account for a portion of proceeds related to the new bond anticipation note for pool improvements. Bank statements related to the new account were received monthly by the City. Although the bank statements were obtained, the cash balance contained in this account (along with the related debt proceeds) was not recorded in the City's general ledger. An audit adjustment was proposed to correct this error. Prior to the recording of this entry, cash and the related debt proceeds were understated in the General Fund by approximately \$50,000. The City's bank reconciliation process should be adjusted to ensure that all bank and investment account balances agree with amounts reported within the general ledger. If assistance is needed to properly record infrequent transactions (such as new debt issues), Plante & Moran would be happy to provide guidance.
- **Parkway Beautification Fund** - The Parkway Beautification Fund accounts for the activity of the boards and commissions. During the year, the City keeps the revenue and expense detail of this fund on an excel spreadsheet. On the City's general ledger, they accounted for this fund as a trust and agency fund during the year, but under generally accepted accounting principles, the fund should be classified as a Special Revenue Fund. As a result, an audit entry was proposed by Plante & Moran and posted by the City.
- **Accounts Receivable Adjustment** - During our audit, we identified a receivable on the City's books which, based on conversations with finance department personnel, will not be collected. The receivable represents health insurance expenses in excess of COBRA premiums collected from employees. According to generally accepted accounting principles, an asset provides a future benefit. In the case of the health insurance expenses exceeding the amount collected from employees, the City will derive no future benefit from these overages, as it is not the City's policy to charge employees for expenses in excess of insurance premiums. An adjusting entry for approximately \$95,000 (of this amount, approximately \$10,000 related to current year activity) was posted to correct the balance for the financial statements, and we recommend that the City establish an expense account to track health insurance expenses in excess of premiums collected from employees.
- **Personal Property Tax Receivable** - At year end, the balance in the receivable account was overstated by an uncollectible amount as a result of a lawsuit brought on by the utility companies several years ago. The lawsuit was settled and the receivable should be written off. The entry to adjust this balance was proposed by Plante & Moran. Management has indicated that this balance will be corrected in fiscal year 2007-2008.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. We consider the following items to be control deficiencies:

- **Cash Controls** - We noted that many of the bank reconciliations prepared during the year were done several months after the bank statement was received. They were all properly reconciled during the year, just not on a timely basis. We also noted that the bank reconciliations and the wire transfers were not reviewed by an independent individual. In order to help increase internal controls over the recording of cash, we recommend that the City prepare reconciliations shortly after the monthly bank statements are received and that the City designate someone to review bank reconciliations and wire transfers each month who is independent of the cash receipting and reconciling process.
- **Compensated Absences** - We noted that although the majority of union contracts stipulate a "use it or lose it" policy for vacation, the City's past practice allows employees to carryforward or use vacation beyond the specified expiration date. We recommend that the City either adjust future union contracts to reflect the City's policies, or that the City enforce the "use it or lose it" guidelines for vacation hours agreed upon in the union contracts.
- **Credit Card Policy** - Credit cards are used by the City as a matter of convenience to make small purchases that otherwise would be made from a petty cash fund. The use of credit cards can have a positive effect on internal control because it limits the number of transactions that would otherwise be handled in cash. However, because of the relative ease for which credit cards could be used for unauthorized purposes, state law (P.A. 266 of 1995) requires that a policy be adopted by the board that governs the use of credit cards by City employees. The policy is required to include provisions for (1) employees responsible for monitoring credit card use and compliance with the City's policies, (2) minimum documentation guidelines for purchases made with credit cards, and (3) the establishment of internal controls to monitor the use of credit cards. While the City has not adopted a policy governing the use of credit cards prior to year end, we recommend that such a policy be adopted in order to comply with state law.

In addition to the above, we have identified the additional items that we would like to communicate as a result of our audit. These matters are not considered control deficiencies, significant deficiencies, or material weaknesses as defined above.

- **GFOA Certificate** - In reviewing the Government Finance Officers Associations (GFOA) comments received for the fiscal year 2006 CAFR, it came to our attention that there were significant instances of noncompliance related to reporting under Governmental Accounting Reporting Standards. Generally accepted accounting principles required the City to fully comply with Governmental Accounting Standards Board (GASB) pronouncements 40 and 44 in fiscal year 2006. We have worked diligently with the City's staff to institute changes to the financial statements in order to help the City comply fully in the current year.

- **Accounting Software** - As you are aware, the City is in the process of implementing new accounting software. We feel that this is a great time for the City to look at automating some of its procedures and processes that were formerly done on a manual basis. This will also be a good time for the City to review its internal controls over financial reporting and allow it to address some of the items listed above.

New Auditing Standards

Major and comprehensive changes were recently made to auditing rules that will impact the City's audits beginning next year. These new auditing standards require significant changes in how audits are done and how the results of the auditor's work are communicated to clients, bringing auditing rules governmental units into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

These new rules, which are known collectively as the Risk Assessment Standards, require auditors to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules will also require increased audit testing and more thorough auditing procedures, and will increase the amount of related documentation that auditors must prepare and maintain.

Plante & Moran, PLLC began analyzing these new standards and incorporating the necessary changes into our audit process and tools more than a year ago. It is clear that the new rules will require us to perform more audit procedures than we have in the past. Our firm has invested heavily to implement our new audit methodology and train our staff on these changes and will continue to do so over the next several months. Our goal is to have our staff trained and working with our clients to prepare for the transition to these new rules well in advance of the required implementation date.

November 8, 2007

As we move forward, we will be communicating more specifically about how these matters will affect the City's next financial statement audit. In addition, we plan to begin to work with the City's staff during the upcoming year in a number of areas, including review and documentation of internal accounting procedures and controls, to ensure a smooth transition to these new standards.

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about the City's internal accounting and financial reporting processes and controls. We believe that these new rules, and the additional communications the board will receive from us about the results of our audit work, will enhance the value received from the financial statement audit.

If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Mark R. Hurst", with a stylized flourish at the end.

Mark R. Hurst

A handwritten signature in black ink, appearing to read "Pamela L. Hill", written in a cursive style.

Pamela L. Hill